

4(a)	Explain <u>two</u> reasons why high quality is important for FF Award 1 mark for each reason (max 2). Award a maximum of 3 additional marks for each explanation of the reason why high quality is important – one of which must be applied to this context. Reasons might include: • To establish a brand image – so that customers are encouraged to buy the product – new customers are attracted • To maintain a good reputation / to not gain a bad reputation – friends and family tell others about the goods/service which may lead to a good/bad reputation – increasing/decreasing sales • To increase sales / attract more customers – due to customer needs being satisfied by the products supplied • So that faulty products do not have to be replaced – which would reduce waste / ensures customer safety / avoids legal action • Able to charge a high price – may lead to higher profit margin / as may increase added value For example: To maintain a good reputation (1) because if quality is not good then friends and family will tell others about the product which may lead to a bad reputation (1) and sales will be lower (1) for the new flower shop (app). Application could include: new shop/third shop; 2 shops; flowers; source of finance required for working capital; weddings; bride/groom; ribbons; contribute to sustainable development; targets a niche market; 4/8 employees at each shop; bride; average price paid is \$2000; supplies purchased each day; supplies are fresh; uses job production; small business; marketing mix for the new shop; social media reviews.
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4(b)

Using Appendix 3 and other information, consider the following two ways FF could contribute to sustainable development. Which way should Kathryn choose? Justify your answer.

- **Buying all flowers from sustainable sources**
- **Using electricity from renewable sources**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of both ways. Well-justified recommendation. Candidates discussing two 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.	9–12
2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least one way. Judgement with some justification / some evaluation of choices made. Candidates discussing one way in detail and applying it 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 ways with little/no explanation. Simple judgement with limited justification / limited evaluation of choices made. Candidates outlining the two ways in context should be rewarded with the top marks in the band.	1–4
0	No creditable response.	0

4(b)	Relevant points might include:		
		Advantages	Disadvantages
	Buying all flowers from sustainable sources	• Attract customers who are concerned about the environment if it is included in the advertising – increasing sales • In the future sustainable sources will still be supplying flowers – more secure source of supply • Sustainable sources are nearby in Main City which is good for the environment – as transport costs are lower and less polluting	• The average price on wedding flowers is \$2000 and customers may not be willing to pay more for sustainably produced flowers – so prices remain the same and profit margins may need to be lower • Costs increase by 25% for flowers for each average wedding flowers – if prices are raised then may make FF less competitive – losing sales

4(b)		Advantages	Disadvantages
	Using electricity from renewable sources	• Savings of electricity after solar panels bought – \$100 per week saving on electricity for each shop • \$5200 per year savings for each shop / \$15 600 per year for all 3 shops • These cost savings will continue into the future – after the installation costs are repaid • May be able to reduce prices as costs of power are reduced – become more competitive	• High cost to install the solar panels – costs \$6000 for each shop • \$18 000 if all 3 shops have solar panels • May need to take out a loan – interest costs will increase – will increase cash outflow • Relies on amount of sunlight each day – may be lower at different times of the year / difficult to store the electricity • Maintenance cost for the solar panels
	Recommendation	Justification may include: • Kathryn should buy all FF's flowers from sustainable sources as FF may attract many more customers who are concerned about the environment, and they may be willing to pay a higher price if 25% increased cost of the flowers is passed on to customers. Purchasing solar panels may require taking out a bank loan and this will increase expenses which FF may not be able to afford given FF is opening a new shop and already has to find ways to finance its working capital. • Kathryn should use renewable energy to provide electricity for FF's shops. This is an investment that will continue to save \$300 each week for the 3 shops in the future and may help to make FF more competitive	