

3(a)	Identify <u>X</u> and <u>Y</u>. Award 1 mark for each correct answer. X: Break-even (point) Y: (Total) revenue
3(b)	Define ‘margin of safety’. Award 2 marks for a full definition. Award 1 mark for a partial definition. • The difference between the <u>current level</u> of output/sales and break-even output/sales [2] • The amount by which <u>sales</u> exceed the break-even point [2] Partial definition e.g. • Difference between total output and break-even point [1] • Number of units that exceed break-even output [1]

3(c)

Outline two advantages of Vicki delegating tasks to her employees.

Award 1 mark for each relevant advantage (max 2).

Award 1 mark for each relevant reference to this business (max 2).

Points might include:

- Motivate employees [k] helping increase sales above 900 units [app]
- Develop employee skills / increase flexibility of workforce [k] when making burgers [app]
- Builds trust between the owner and her employees / better working relations [k]
- The owner cannot do all tasks alone / reduces her workload / she has time to focus on other tasks [k] such as completing the break-even chart [app]
- Quality of the owner's work is often improved / she is less likely to make mistakes [k] at the restaurant [app]
- She can measure performance/success of employees [k]

Other appropriate responses should be credited.

3(d)

Explain two possible effects of an economic recession on Vicki's business.

Award 1 mark for identification of each relevant method (max 2).

Award 1 mark for each relevant reference to this business (max 2).

Award 1 mark for each relevant explanation (max 2).

Points might include:

- Lower/fewer sales [k] leading to lower revenue [an] from selling burgers [app]
- May need to lower costs [k] as revenue is likely to be falling [an] for the restaurant [app]
- More workers available to select from [k] so may be able to lower labour costs [an] of the 14 employees [app]
- Workers may be made redundant / reduce workforce / downsize [k] which could demotivate other workers [an]
- Low business confidence [k] so less willing/likely to invest [an]
- The business may fail / hard to survive [k] so may lose their investment [an]
- May have cash flow problems [k] so cannot pay day-to-day costs [an]
- May have to lower prices [k]
- May delay any expansion plans [k]
- Banks may not be willing to lend [k]
- May change objective to survival [k]
- Lower profit [k] so less funds to invest [an]

Other appropriate responses should be credited.

3(e)

Explain two methods of training a business might use. Which is likely to be the best method for a service business to use? Justify your answer.

Award up to 2 marks for identification of relevant points.
Award up to 2 marks for relevant development of points.
Award up to 2 marks for a justified decision as to which is likely to be the best method for a service business to use.

Points might include:

On-the-job training [k]

- Being trained in the workplace [an]
- Watching a more experienced worker doing the job [an]
- Allows business specific training to be given [an]
- Low(er) cost [an]
- Some work completed during training [an]
- May learn bad habits from trainer [an]
- Trainer may not be as productive as usual [an]

Off-the-job training [k]

- Being trained away from the workplace [an]
- Allows employees to be trained by experts [an]
- New/up-to-date skills/knowledge can be taught [an]
- High(er) cost [an]
- Wages paid but no work is being done [an]
- Induction training [k]
- Can help new employees understand / familiarise with the work/workplace/job role [an]
- New workers settle into their job quickly [an]
- Delays when start work [an]

Other appropriate responses should be credited.

3(e)	Justification might include: On-the-job training [k] is where trainees watch a more experienced worker [an]. Alternatively, off-the-job training [k] will teach up to date skills [an]. Off-the-job training is the best method as the business is more likely to improve productivity by learning the ideas [eval] whereas on-the-job training may lead to employees picking up bad habits so would have limited value [eval].
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2(a)	Explain <u>two</u> functions of management for Charly when she is operating her new business. Award 1 mark for each function (max 2). Award a maximum of 3 additional marks for each explanation of the function of management – one of which must be applied to this context. Functions might include: • Planning – setting aims and targets for the business – will give a sense of direction with common targets to work towards • Organising – arranges the tasks for the employees – as a manager cannot do all the tasks and will need to delegate • Coordinating – bringing together the different departments/parts in the business – so tasks are carried out efficiently • Commanding – instructs the employees on how to carry out their tasks – gives guidance as required • Controlling – makes sure the employees produce the expected output each week – and that all aims are achieved For example: Planning (1) – setting aims and targets for the employees (1) so they remain efficient and produce the correct number of rugs (app). This will mean that CR will be able to meet orders and satisfy customer demand (1). Application could include: rugs; worked for a large rug manufacturer for 10 years; luxury product; forecast demand is 20 rugs per week; 2 possible locations for the new factory; needs to produce a cash flow forecast; store inventories of raw materials / finished products; 4 or 8 employees; new factory.
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2(b)

Using Appendix 2 and other information, consider the following two possible locations for CR's new factory. Which location should Charly choose? Justify your answer.

- Location A
- Location B

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of the two locations. Well-justified recommendation. Candidates discussing the two locations in detail, in context and with a well-justified recommendation, including why the alternative location 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 location. Judgement with some justification/some evaluation of choice made. Candidates discussing one 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 choice made. Candidates outlining the two 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: <table border="1"> <tr> <td data-bbox="368 185 635 931">Location A:</td><td data-bbox="635 185 1358 931"> - Rent and other costs are much lower at \$400 per week – helping to reduce total costs to \$1000 per week – may mean CR can charge a lower price for each rug – may be more competitive - Total costs may be less than half Location B even though output is half at 40 rugs per week – may not need to borrow \$20 000 bank loan reducing interest payments in the future – less likely to have a cash flow problem - Total costs for Location A are \$1000 whereas total costs for Location B are \$2200 - Average cost per rug for Location A if operating at maximum output is \$50 but rises to \$62.50 if there is disruption to output – a lower increase of \$12.50 than Location B which is \$18.33 more for each rug produced - If there are power cuts, then they can only produce 16 rugs a week – demand is likely to be 20 – so they could be letting customers down and gain a poor reputation </td></tr> <tr> <td data-bbox="368 931 635 1512">Location B:</td><td data-bbox="635 931 1358 1512"> - Can produce double the output at 40 rugs each week – increases revenue if all the rugs are sold - Has 5% more impact on output if there are power cuts than Location A – reducing the number of rugs for sale to 30 – reducing possible revenue - Total costs are more than twice as much at \$2200 per week – may lead to higher prices - Average cost to produce each rug is \$55 if no power cuts but it rises to \$73.33 if 25% output lost due to power cuts – this is a much higher increase than for Location A - Sales in the future could increase to 40 rugs per week so will be easier to meet this demand without needing to move to a larger factory or open another factory </td></tr> </table>	Location A:	- Rent and other costs are much lower at \$400 per week – helping to reduce total costs to \$1000 per week – may mean CR can charge a lower price for each rug – may be more competitive - Total costs may be less than half Location B even though output is half at 40 rugs per week – may not need to borrow \$20 000 bank loan reducing interest payments in the future – less likely to have a cash flow problem - Total costs for Location A are \$1000 whereas total costs for Location B are \$2200 - Average cost per rug for Location A if operating at maximum output is \$50 but rises to \$62.50 if there is disruption to output – a lower increase of \$12.50 than Location B which is \$18.33 more for each rug produced - If there are power cuts, then they can only produce 16 rugs a week – demand is likely to be 20 – so they could be letting customers down and gain a poor reputation	Location B:	- Can produce double the output at 40 rugs each week – increases revenue if all the rugs are sold - Has 5% more impact on output if there are power cuts than Location A – reducing the number of rugs for sale to 30 – reducing possible revenue - Total costs are more than twice as much at \$2200 per week – may lead to higher prices - Average cost to produce each rug is \$55 if no power cuts but it rises to \$73.33 if 25% output lost due to power cuts – this is a much higher increase than for Location A - Sales in the future could increase to 40 rugs per week so will be easier to meet this demand without needing to move to a larger factory or open another factory
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2(b)	<table border="1"> <tr> <td data-bbox="357 107 635 694">Recommendation</td><td data-bbox="635 107 1391 694"> Justification might include: - Charly should choose Location A as the total costs each week are less than half that for Location B and this will help CR get started without needing to borrow all \$20 000 from the bank. A smaller bank loan will reduce interest payments and make it less likely that CR fails. Location B has higher average costs which may result in a higher price for the rugs making them less likely to sell. - Charly should choose Location B as it is twice as large as Location A and can produce double the output at 40 rugs each week so in the long term when CR has become well known Charly can meet demand without needing to move to a larger factory. </td></tr> </table>	Recommendation	Justification might include: - Charly should choose Location A as the total costs each week are less than half that for Location B and this will help CR get started without needing to borrow all \$20 000 from the bank. A smaller bank loan will reduce interest payments and make it less likely that CR fails. Location B has higher average costs which may result in a higher price for the rugs making them less likely to sell. - Charly should choose Location B as it is twice as large as Location A and can produce double the output at 40 rugs each week so in the long term when CR has become well known Charly can meet demand without needing to move to a larger factory.
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4(a)

Identify one advantage and one disadvantage to employees of being members of a trade union.

Award 1 mark per advantage/disadvantage (max 2).

Points might include:

Advantages:

- Strength in numbers/more power when negotiating with employers / collective bargaining
- Offer (legal) advice to employees
- Protect job security / protect against possible redundancy / protect against unfair dismissal
- Improve health and safety / better/good working environment / protect against unfair work practices
- Help obtain a pay rise/extra holiday entitlement/change in hours
- Improved benefits for members who are not working because they are sick, retired or made redundant
- Protect employee rights / ensure workers are not exploited / protect interests

Disadvantages:

- Must pay (membership fee) / expensive
- Decisions of majority is binding on all members, even if do not agree with the decision

Other appropriate responses should be credited.

4(b)

Identify one benefit and one limitation of a business using induction training.

Award 1 mark for each benefit/limitation of induction training (max 2).

Points might include:

Benefits:

- Familiarise with work/settle quickly into the job
- Helps to be made aware of workplace/ important health and safety issues before starting the job
- Helps to understand job role/who the main personnel in the organisation are
- May be a legal requirement for health and safety (at start of job)
- Workers are less likely to make mistakes

Limitations:

- Increases costs/expensive
- (Wages are paid but) there is no output
- Time-consuming
- Delay when employee starts working

Other appropriate responses should be credited.

4(c)

Outline one reason why each of the following stages of recruitment might be important for TLA:

Award 1 mark for each relevant reason (max 2).

Award 1 mark for each relevant reference to this business (max 2).

Points might include:

Job description:

- Provides a clear idea of what job involves / sets out clearly the roles and responsibilities of the position [k] for the 3000 employees [app]
- Provides basis for drawing up a contract [k] for the new managers [app]
- Helps decide basis for pay [k]
- Helps create person specification [k]
- Helps create appropriate job advert/help decide where to advertise [k]
- Helps resolve disputes [k]

Job advertisement:

- Makes (potential) applicants aware of / know about the job [k] at the hotel [app]
- Helps attract a range of applicants [k] as planning to expand [app]

Other appropriate responses should be credited.

4(d)

Explain two possible diseconomies of scale as TLA grows.

Award 1 mark for identification of each relevant diseconomy of scale (max 2).

Award 1 mark for each relevant reference to this business (max 2).

Award 1 mark for each relevant explanation (max 2).

Points might include:

- Low morale/motivation / lack of loyalty/commitment [k] from its 3000 employees [app] leading to higher labour turnover / more workers leaving [an]
- Poor communication [k] as more levels for messages to pass through / more mistakes [an] in the hotel [app]
- Weak/lack of co-ordination [k] leading to the wrong decisions [an] by the 2 managers [app]
- Lack of control [k] which may lead to some employees working less efficiently [an] at this large business [app]

Other appropriate responses should also be credited.

4(e)

Do you think the advantages of managers using a democratic leadership style are greater than the disadvantages for a business? Justify your answer.

Award up to 2 marks for identification of relevant points.
Award up to 2 marks for relevant development of points.
Award up to 2 marks for a justified decision as to whether the advantages of managers using a democratic leadership style are greater than the disadvantages for a business.

Points might include:

Advantages:

- Gain (more) ideas/suggestions [k] which may increase sales [an]
- Can increase motivation/more committed [k] leading to less absenteeism/(lower) labour turnover / improve efficiency/output [an]
- Better decisions could be made [k] as can use employees' experience and skills [an]
- Positive work environment [k]

Disadvantages:

- Employees may not have the necessary experience / want to be involved in decisions [k] leading to mistakes [an]
- Takes time to consult employees [k] which can slow down decision-making [an]

Other appropriate answers should also be credited.

4(e)	Justification might include: One advantage is that it can lead to new ideas [k] which can increase sales [an]. However, it can take time to consult all employees [k] which delays decision-making [an]. The advantage is greater because if the employees' ideas are successful, they could increase revenue [eval] so the extra time to obtain these ideas would be worthwhile [eval].
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2(a)	Explain <u>two</u> functions of management for CC's new manager. Award one mark for each named function (max 2). Award a maximum of 3 additional marks for each explanation of the function of management – one of which must be applied to this context. Functions might include: • Planning – setting aims and targets for the business – will give a sense of direction with common targets to work towards • Organising – arranges the tasks for the employees – as a manager cannot do all tasks and will need to delegate • Coordinating – bringing together the different departments in the organisation – so tasks are carried out efficiently • Commanding – instructs the employees on how to carry out their tasks – gives guidance as required • Controlling - checking the employees work so that the expected output is produced each week – and that all aims are achieved For example: Planning (1) setting aims and targets for the business (1) such as sales targets for the cookies (app) will give CC a sense of direction with common targets to work towards (1). Application could include: cookies; batch production; high-quality products; fresh ingredients; baking equipment; messages put on cookies; orders for birthdays or weddings; 10 production employees; 5 shop employees; Operations manager; oversee production; sole trader; small business; established for 5 years; sells at own shop in city centre.
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2(b)

Consider how a decrease in interest rates and an increase in taxes in country P could affect CC. Which is likely to have the biggest effect on CC's profit? Justify your answer.

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of both changes. Well-justified conclusion. Candidates discussing both changes in detail, in context and with a well-justified conclusion, including why the alternative change, is 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 change. Judgement with some justification / some evaluation of choices made. Candidates discussing both changes 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 changes with little / no explanation. Simple judgement with limited justification / limited evaluation of choices made. Candidates outlining both changes 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: <table border="1"> <tr> <td data-bbox="360 185 595 730">Decrease in interest rates</td><td data-bbox="595 185 1326 730"> • Decrease in interest costs of a new bank loan – Sam may be more likely to invest in batch production facilities using a bank loan – may buy new ovens – lower interest rates reduce expenses • Reduces the cost of overdrafts – reduces interest payment for expenses – lower costs • May lead to higher economic growth – lower unemployment – higher incomes for consumers – increased demand for cookies • Increases the available income consumers can spend • If customers had a mortgage to repay – lower repayments – may increase demand for high-quality cookies </td></tr> <tr> <td data-bbox="360 730 595 1173">Increase in taxes</td><td data-bbox="595 730 1326 1173"> • May reduce CC's sales – as a result of less spending by consumers on high-quality products • Less retained profit and less investment in bakery equipment • May lead to an increase in the price of cookies – may lead to lower sales and revenue • May allow an increase in government payments to people on a lower income – may increase the sale of CC cookies if these people choose to celebrate an occasion such as a birthday or wedding with a cookie </td></tr> <tr> <td data-bbox="360 1173 595 1713">Conclusion</td><td data-bbox="595 1173 1326 1713"> Justification could include: • A decrease in interest rates will have the biggest effect on CC's profit as higher taxes may not affect demand for products that are not a high proportion of consumers incomes. Whereas a decrease in interest rates may encourage Sam to expand CC's production facilities by purchasing bakery equipment and increase future profit from higher sales of cookies / reduced average costs. • An increase in taxes will have the biggest effect on CC's profit as consumers will have less income after tax to spend and therefore revenue from the sale of cookies in their shop will fall reducing profit. </td></tr> </table>	Decrease in interest rates	• Decrease in interest costs of a new bank loan – Sam may be more likely to invest in batch production facilities using a bank loan – may buy new ovens – lower interest rates reduce expenses • Reduces the cost of overdrafts – reduces interest payment for expenses – lower costs • May lead to higher economic growth – lower unemployment – higher incomes for consumers – increased demand for cookies • Increases the available income consumers can spend • If customers had a mortgage to repay – lower repayments – may increase demand for high-quality cookies	Increase in taxes	• May reduce CC's sales – as a result of less spending by consumers on high-quality products • Less retained profit and less investment in bakery equipment • May lead to an increase in the price of cookies – may lead to lower sales and revenue • May allow an increase in government payments to people on a lower income – may increase the sale of CC cookies if these people choose to celebrate an occasion such as a birthday or wedding with a cookie	Conclusion	Justification could include: • A decrease in interest rates will have the biggest effect on CC's profit as higher taxes may not affect demand for products that are not a high proportion of consumers incomes. Whereas a decrease in interest rates may encourage Sam to expand CC's production facilities by purchasing bakery equipment and increase future profit from higher sales of cookies / reduced average costs. • An increase in taxes will have the biggest effect on CC's profit as consumers will have less income after tax to spend and therefore revenue from the sale of cookies in their shop will fall reducing profit.
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2(a)	Explain <u>two</u> effects of BB having a short chain of command. Award 1 mark for each effect (max 2). Award a maximum of 3 additional marks for each explanation of the effect of having a short chain of command – one of which must be applied to this context. Relevant effects might include: • Communication is more accurate – as fewer people for messages to be passed through – less chance of errors being passed on • Senior managers are less remote from lower levels in the hierarchy - allows these managers to be more aware of the views of employees - less likely to be disputes between production employees and managers • Decision-making can be quicker – as fewer levels to discuss issues and pass on decisions – react to customer changes more quickly • Manager may have a wider span of control – which may increase the opportunities for delegation – employees feel more trusted/greater job satisfaction • Managers may have less control of what their subordinates are doing may be more likely for subordinates to make mistakes – increases costs • Increased workload for managers • Communication is quicker For example: Communication is more accurate (1) as there are fewer people for messages to be passed through (1) less chance of errors in the messages (1) about the production of bikes (app). Application could include: new factory; bikes; flow production; wants to become a multinational company; bike manufacturer; exports 30%; target market of adults and young children; bike components e.g. gears; 100 production workers; sells through specialist bicycle shops; higher labour turnover; flat organisational structure; named director/manager from Appendix 1.
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2(b)

Consider the following three extension strategies BB could use for its best-selling product. Which strategy should BB use? Justify your answer.

- Adding new features
- Start selling in toy shops
- Television advertising campaign

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of two or more strategies. Well-justified recommendation. Candidates discussing all three strategies, in context and with a well-justified recommendation, including why the alternative strategies 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 strategy. Judgement with some justification/some evaluation of choice made. Candidates discussing two or more strategies in detail and applying these 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 strategies with little/no explanation. Simple judgement with limited justification/limited evaluation of choice made. Candidates outlining the three strategies 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: <table border="1"> <tr> <td data-bbox="400 185 667 696">Adding new features</td><td data-bbox="667 185 1353 696"> • Bike will have additional features – such as more gears – making it easier to ride and therefore attractive to a wider range of customers • Bikes may be better than competitors' bikes – encouraging customers to buy BB's bikes instead of competitors' bikes • May encourage existing customers to get rid of their old bike and buy a bike with the new features – as they will want the most up-to-date version to show their friends – increasing revenue • Takes time and cost to develop the new features of the product </td></tr> <tr> <td data-bbox="400 696 667 1305">Start selling in toy shops</td><td data-bbox="667 696 1353 1305"> • A different target market will see the children's bike in toy shops and may be attracted to buy it as usually sold through specialist bike shop so will not usually be seen by these other customers – increasing sales • May be more toy shops in country X than specialist bike shops – making the bike more accessible to potential customers – greater number of shops where can buy/see the bike so more likely to buy the bike • Potential customers go into toy shops to buy other products such as a scooter – see the bike whilst in the toy shop and may be attracted to buy one • Also selling competitors' products so may be more competition </td></tr> </table>	Adding new features	• Bike will have additional features – such as more gears – making it easier to ride and therefore attractive to a wider range of customers • Bikes may be better than competitors' bikes – encouraging customers to buy BB's bikes instead of competitors' bikes • May encourage existing customers to get rid of their old bike and buy a bike with the new features – as they will want the most up-to-date version to show their friends – increasing revenue • Takes time and cost to develop the new features of the product	Start selling in toy shops	• A different target market will see the children's bike in toy shops and may be attracted to buy it as usually sold through specialist bike shop so will not usually be seen by these other customers – increasing sales • May be more toy shops in country X than specialist bike shops – making the bike more accessible to potential customers – greater number of shops where can buy/see the bike so more likely to buy the bike • Potential customers go into toy shops to buy other products such as a scooter – see the bike whilst in the toy shop and may be attracted to buy one • Also selling competitors' products so may be more competition
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2(b)	Television advertising campaign	• A wider range of people will see the advertisement and will become aware of the bike – leading to higher sales • TV adverts can be attractive and persuasive – using moving images and colour to attract children or their parents to purchase a bike – can reinforce the brand image and attract customers • The TV advert can be put on between programmes that are watched by children – so they are seen by target customers – increasing the effectiveness of the marketing budget • High cost of television advertising
	Recommendation	Justification might include: • Bikes with new features will attract existing customers to upgrade their bike leading to increased sales. These customers are already familiar with the BB brand and will want the latest version of the bike. Selling through toy shops will be less effective as customers may not go to toy shops to buy a bike, preferring instead to go to a specialist shop where they can get advice. A TV campaign may not be effective if customers do not watch television. • Starting to sell through toy shops should be used as it will enable BB to reach a wider market of potential customers including children and their parents and therefore, they may be more likely to buy a BB bike if they are now aware of the product. • A new TV campaign should be used as it will make many more people aware of the children's bike and parents might be attracted to buy one leading to increased revenue.