2(a)	**Explain <u>two</u> benefits and <u>two</u> limitations of a business operating in a niche market.** Award 1 mark for each benefit/limitation (max 2 benefits/2 max limitations). Award a maximum of 1 additional mark for **each** explanation of the benefit/limitation. There are no application marks for this question. Relevant benefits might include: • Fewer businesses may be competitors in this part of the market – less need to spend on marketing the product • The needs of the consumer can be more closely focused on – therefore their needs will be met giving high consumer satisfaction • Increased sales and revenue as product meets customer needs • Higher price can be charged – as product may be seen as high-status or exclusive • Increased customer loyalty Relevant limitations might include: • Niche markets are usually relatively small – therefore sales are likely to be smaller than in a mass market • Limits potential growth in the market – profits may be limited in the future • May mean the business specialises in one product – increased risk if the product has a fall in demand • Small size of the market means that economies of scale are unlikely – resulting in higher unit costs • High profits may attract competitors into the market – prices may have to be reduced For example: The business can focus more closely on customer needs (1) therefore their needs will be met giving high consumer satisfaction (1).

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2(b) **Using Appendix 2 and other information, consider the following <u>three</u> elements of the possible marketing mix for FF's new shop. Which element is likely to be the most important? Justify your answer.**

- **Price – cost-plus pricing**
- **Place – selling some flowers through wedding planners**
- **Promotion – television advertising**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of **two** or more elements. Well-justified conclusion. Candidates discussing all three elements, in context and with a well-justified conclusion, including why the alternative elements 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** element. Judgement with some justification / some evaluation of choice made. Candidates discussing two or more elements 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 elements with little/no explanation. Simple judgement with limited justification / limited evaluation of choice made. Candidates outlining the three elements 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
Price – cost-plus pricing	• Method is relatively easy to apply • Different mark-ups can be applied for different **brides** depending on the type of flowers used in the arrangement • Each product sold can earn a higher profit for the business – as it can closely meet the requirements of the individual customer in this **niche market** – and charge a higher price for the flower arrangement	• Need to calculate total costs to be able to calculate the price to charge for **wedding flowers** – may take time to collect the figures and may not be accurate if difficult to calculate the proportion of fixed costs per product • Price may be higher than price of competitors' – reducing sales and revenue • Profit overall is only made if sufficient sales are made to cover fixed costs as well as the variable costs • There is no incentive to reduce costs – as any increase in costs will be passed on to the customer

2(b)

	Advantages	Disadvantages
Place – selling some flowers through wedding planners	• May have a larger market as now also sell to businesses that plan weddings for customers – may have higher revenue from sales of **wedding flowers** • All storage costs paid by the wedding planner – may reduce costs for FF – flowers are **perishable** and may need specialist equipment to keep the high quality of the flowers • Promotional activities are carried out and paid for by the wedding planner	• Part of the profit kept by the wedding planner – as discounts will be required by the wedding planner – lower return for Kathryn on her investment in her small business • Slower way to get the flower arrangements to the customer – wedding flowers may lose quality as **not as fresh** when stored for longer periods of time • Does not have complete control over the way the business is marketed – cannot display **flower arrangements** in the way chosen by Kathryn • May be higher price as includes the wedding planner's profit – may be less competitive

2(b)			
		Advantages	**Disadvantages**
	Promotion – television advertising	• The advert will be seen by a large audience – potentially increases the target market – increasing sales and revenue • The wedding flowers and arrangements can be shown in a very favourable way – with happy **brides** holding their flowers – moving images can convey the mood of high-quality products and enjoyable celebrations – increasing sales • May encourage customers to visit the shop when they might not otherwise be aware of the shop • Can target adverts to be shown during TV shows that the target market may be watching – such as **bridal/wedding programmes**	• Can be very expensive – increasing costs for FF • FF may not be able to afford many adverts – so reducing their effectiveness as not on television very often • Young consumers who are **getting married** may not watch television very often as more likely to use social media – reducing effectiveness of advertising and reducing potential sales
	Conclusion	Justification might include: • Cost-plus pricing will be the most important element of the marketing mix as it will allow different mark-ups for different flower arrangements for high income customers who are **getting married** leading to higher revenue and possibly more profit. Selling to wedding planners may reduce the high-quality of the flowers as it may take longer to get to the customer, reducing customer satisfaction and television advertising may be limited given the large budget needed to have a television campaign. • Selling to wedding planners will allow Kathryn to increase the number of customers for her **flowers to use in arrangements** and flower arrangements for weddings – this may give word-of-mouth advertising – leading to higher sales from the shop. • Advertising on television may mean that customers from across the city are likely to see the adverts and visit the shop – leading to higher sales of **wedding** flowers.	

1(a)	**Define 'batch production'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Where a quantity/group of one product is made, then a quantity of another product will be produced [2] • A whole <u>batch/group</u> moves through the different stages of production <u>together</u> [2] Partial definition e.g. • Similar items made together/items made in a group/set [1] • Moving together through different stages of production [1]
1(b)	**Identify <u>two</u> aims of promotion.** Award 1 mark for each aim (max 2). Points might include: • To raise awareness/inform/remind people about products/services • To persuade/attract (new) consumers / increase sales/revenue • To create/maintain brand/company image/reputation • Ensure/build customer loyalty/encourage repeat purchases • To introduce new products on to the market • To compete with competitors' products/differentiate from competitors Other appropriate responses should be credited.

1(c)	**Outline <u>one</u> advantage and <u>one</u> disadvantage to NFC of using quality assurance.** Award 1 mark for each relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: Advantages: • Errors can be spotted earlier/during production [k] of the shoes [app] • Can motivate employees [k] so may be willing to offer ideas for its product range [app] • No need to recruit quality inspectors [k] Disadvantages: • All (production) workers need training/time/cost to train workers [k] which may take funds away from developing new products [app] • Not all workers are interested/able to spot problems [k] during batch production [app] • May slow down production [k] Other appropriate responses should be credited.

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1(d)	**Explain <u>two</u> benefits to NFC of using market segmentation.** Award 1 mark for identification of each relevant benefit (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: • Can design/produce goods to meet specific needs of consumers/know what to produce [k] so that costs/materials are not wasted (producing wrong product) [an] especially as plan to develop new products [app] • Help target advertising/marketing strategies [k] to ensure maximum number of people see the products [an] which is an aim of promotion [app] • Identify gaps in the market/new opportunities [k] for its shoes [app] which can help spread risk [an] • May make marketing expenditure more effective [k] so do not waste money/resources [an] Other appropriate responses should be credited.

1(e)	**Do you think the benefits of developing new products for a business are greater than the limitations? 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 benefits of developing new products for a business are greater than the limitations. Points might include: Benefits: • Increase demand/customer (base)/sales [k] which may increase revenue/market share [an] • Can help spread risk/diversification [k] if sales fall for one product, this can be offset by sales of another product [an] • Provide competitive advantage/unique selling point (USP) [k] which could increase customer/brand loyalty [an] • Enter <u>new markets</u> [k] • Improve brand recognition/reputation [k] Limitations: • Must produce new/trial products/more raw materials [k] increases costs [an] • Need to carry out market research [k] increases cash outflows [an] • Need to launch/promote/market the new product [k] • Often requires large capital expenditure/cost of new machinery [k] • May need to recruit/train additional employees/specialists [k] Other appropriate responses should be credited.

1(e)	Justification might include: New products can help increase potential sales [k] which increases revenue [an]. However, there is a cost of developing new products [k] which increases cash outflows [an]. The benefits of developing new products are greater because the extra revenue gained could cover the additional costs [eval] which can increase the chance of growth/long term survival [eval].

2(a)	**Explain <u>one</u> advantage and <u>one</u> disadvantage of PF selling its products in a mass market.** Award 1 mark for each advantage/disadvantage of selling in a mass market (max 2). Award a maximum of 3 additional marks for **each** explanation of the advantage/disadvantage of selling in a mass market – **one of which must be applied to this context.** Relevant advantages might include: • Total sales in the market may be very high – giving the potential for high revenue – possibly leading to high profits if costs are kept under control • May be able to benefit from economies of scale – as production is on a large scale and so may benefit from purchasing economies – leading to lower costs per unit / lower average costs • Risks are spread if several variations of the mass market product are produced – less likely to be affected by changes in consumer spending habits – so sales and revenue remain high even if the sales of one product fall • Opportunities for the business to grow as high sales/large customer base/high demand • Can produce a standardised product – production costs are lower than if many variations of the product are produced Relevant disadvantages might include: • Likely to be high levels of competition between businesses selling similar products – may need to reduce prices to remain competitive / reduce costs – may lead to lower profit margins • High costs of advertising and promotion – as need to attract a much wider market to see the adverts such as on TV – so advertise using many and varied types of promotion to ensure the product is seen • The products are standardised so unlikely to meet the specific needs of all customers or potential customers – so some potential customers may not purchase the product – leading to a loss of potential sales • May reduce opportunities if consumers are demanding more variety in the products they buy – preferring niche market products – so may lose out to sales from many smaller competitors For example: Total sales to the market may be very high (1) which is likely to give the potential for high revenue (1) from the high sales of shoes (app). Possibly leading to high profits if costs are kept under control (1). **Application** might include: rubber shoes; natural rubber raw material; building a new factory; rubber is grown locally; increase in taxes; bank loan for new factory; sister wants to invest in the business; $100 000; operates in a very competitive market; started 10 years ago; information from Appendix 3.

2(b)	**Consider the following <u>three</u> factors that may influence the location of PF's new factory. Which factor is likely to be the most important when deciding on the location? Justify your answer.** • **Availability of raw materials** • **Transport links** • **Government influence**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of **two** or more factors. Well-justified conclusion. Candidates discussing all three factors in detail, in context and with a well-justified conclusion, including why the alternative factors 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** factor. Judgement with some justification/some evaluation of choices made. Candidates discussing two or more factors 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 factors with little/no explanation. Simple judgement with limited justification/limited evaluation of choices made. Candidates outlining all three factors 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:	
	Availability of raw materials	• **Natural rubber** is available locally then this will reduce the transport costs – reducing PF's costs • May make supplying extra raw materials at short notice easier – especially if an urgent order is taken – customer satisfaction more likely to be assured so customers may be more loyal – maintaining a regular source of revenue • **Forests** are nearby then likely to have better relationship with suppliers – may be more willing to give trade credit
	Transport links	• If transport links are good, finished **shoes** are likely to reach the market more quickly – reducing transport costs for deliveries • If transport links are good delivery vehicles will be less likely to be stuck in traffic/congestion which increases costs of paying the driver and the fuel for the vehicle – quicker to access raw materials especially if PF uses JIT • May be easier for employees to get to work – less likely to be late / arrive on time for shift – more efficient production • May be able to attract employees from a wider area if transport links are good – may be easier to recruit enough workers – making it easier to start production at the new factory

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2(b)	Government influence	• Government grants may be available to businesses that locate in a particular area – which reduces the costs of setting up the new factory in that area • Often offered in areas that have high levels of unemployment – so there may be many people willing and able to work so easier to find employees for the new factory • Government grants may be given to help with training costs to produce **shoes** – so training costs may not be as high as expected • There may be restrictions on the use of the land or emissions from the factory that may affect its operation
	Conclusion	Justification might include: • Availability of **natural rubber** as without raw materials PF cannot produce any output. So, it is essential that raw materials are nearby so the factory can always operate. Transport links are less important if the market is nearby as delays will not cause major problems if the journey is short. Government influence may only be important at the set-up stage of the factory so will not be helpful in the long run. • Good transport links are essential as delays in deliveries of **shoes** to the market may lead to a decrease in customer loyalty. • Government influence is most important as grants can significantly reduce the set-up and training costs for employees to **manufacture shoes** making it more likely to be a success.

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.

2(b) **Using Appendix 2 and other information, consider the following <u>three</u> 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

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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.	

3(a)	**Define 'mass market'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Where there are a large number of sales of **a product** [2] OR A large market containing lots of customers buying similar products [2] Partial definition e.g. lots of sales/customers [1] OR lots of buyers [1] OR market for goods that are produced in large quantities [1]

3(b)	**Calculate IDT's working capital in 2023.** Award 2 marks for correct answer. Award 1 mark for correct method but incorrect answer. Correct answer: $140 million [2] Correct method e.g. 420 – 280 [1] OR Current assets – current liabilities [1] If correct answer given with no working shown award two marks.

3(c)	**Outline <u>one</u> reason why IDT might need the following types of finance:** Award 1 mark for each relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: Short-term finance: • To pay day-to-day costs/working capital [k] when making clothes [app] • Improve cash flow position/liquidity [k] of the multinational company [app] • Meet any unexpected emergencies/opportunities [k] Long-term finance: • Fund expansion/growth [k] such as the new factory [app] • Purchase non-current assets [k] in one of the 4 countries [app] • Develop new products [k] Other appropriate responses should be credited.

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3(d)	**Explain <u>two</u> ways an increase in non-current liabilities might affect IDT.** Award 1 mark for identification of each relevant way (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: • Must pay interest [k] on the $400 m [app] which increases expenses/cash outflows [an] • Difficult to raise additional finance/more collateral required [k] as lenders may worry whether the business will be able to repay [an] despite being a multinational company [app] • More difficult to repay loans/more debt to pay back [k] increases financial risk [an] for this clothing retailer [app] Other appropriate responses should be credited.

3(e)	**Explain <u>two</u> advantages to a business of being a multinational company. Which advantage do you think is likely to be the most important? 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 most important advantage to a business of being a multinational company. Points might include: • Increase sales/new customers/access new markets [k] increasing revenue [an] • Improve brand image/reputation [k] to help increase/maintain customer loyalty [an] • Spreading risk [k] as not reliant on one market for all its sales/fall in sales in one country can be offset by increase in another [an] • Economies of scale [k] leading to lower average/unit costs [an] • Easier access to/cheaper raw materials [k] reducing transport costs [an] • Lower cost of labour (in some countries) [k] improving profit margin [an] • Avoid import quotas/tariffs [k] • Lower/favourable tax rates/government grants/subsidies [k] Other appropriate responses should be credited.

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3(e)	Justification might include: An advantage is access to new markets [k] increasing revenue [an]. Also easier access to raw materials [k] may reduce transport costs [an]. Access to raw materials is more important because lower costs may lead to lower prices helping the business be more competitive [eval] and improve their market share [eval].