4(a)	**Define 'brand image'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • The image or identity given to a product/business which distinguishes it from its competitors brand [2] • Characteristics that distinguish a business from others through design or logo [2] • The general impression of a product/business held by consumers [2] • Personality given to a product/business through marketing activities [2] Partial definition e.g. • Identity given to a product/business [1] • How product/business is seen by others [1] • Characteristics that make a business unique [1]

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4(b)	**Identify two reasons why some markets have become more competitive.** Award 1 mark for each relevant reason (max 2). Points might include: • Globalisation/growth of free trade agreements • Changes in technology or examples e.g. ecommerce/internet/social media • Changes in legal controls / more or fewer regulations / government intervention in the market • Transport improvements/infrastructure improvements Other appropriate responses should be credited.

4(c)	**Outline <u>one</u> way MTL could act ethically with each of the following stakeholder groups:** **Employees** **Customers** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: Employees: • Pay fair/good wages [k] to its 430 employees [app] • Ensure fair/good working conditions [k] when making the toys [app] • Not employ child labour [k] • Not use zero hours contracts [k] Customers: • Charge a fair price [k] which can help maintain its good brand image [app] • Not advertise misleading prices [k] when operating in a competitive market [app] Other appropriate responses should be credited.

4(d)	**Explain <u>two</u> problems MTL might have when entering a new market in another country.** Award 1 mark for identification of each relevant problem (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: • Lack of market knowledge [k] so may not be aware of competitors' pricing/promotion [an] for toys [app] • Language differences) [k] so it may have to translate/change wording on the packaging [an] to explain how it is ethical [app] • Cultural differences [k] so product may not sell there [an] which could damage its brand image [app] • Changes in exchange rates [k] may make it difficult to set prices [an] for this large business [app] • Different legal controls [k] which could restrict what/how they can sell [an] • Import restrictions or examples such as quotas [k] which could restrict the number of products they can import [an] • Economic differences e.g. average income, stage in business cycle [k] • Social differences e.g. age structure [k] • Increased transport costs [k] as products may have to be transported over long distances [an] • Level of competition [k] • Lack of recognition of the business [k] • High taxes [k] • Difficulty in locating suppliers [k]

4(d)	• Increased risk of non-payment/incorrect payment [k] as methods of payment are likely to be different between each country [an] Other appropriate responses should be credited.

4(e)	Points might include: • Television [k] is expensive/can include moving images to attract attention [an] • Magazines [k] as able to target specific types of customers [an] • Discount offers/promotional pricing/ (money off) coupons/loyalty card [k] which can make the products more affordable [an] • Social media/internet-based advertising/influencers [k] to reach large numbers of people [an] • Leaflets [k] as this is a low-cost method [an] • Posters/billboards [k] as can be seen by everyone who is passing by [an] • Point of sale displays/demonstrations [k] as this allows the customer to be shown how it is used [an] • Radio advertising [k] which allows them to target specific regions [an] • Newspapers [k] • Gifts [k] • Sponsorship [k] • Competitions [k] encourage customer to buy to receive a reward/win [an] • Free samples [k] increase costs [an] • BOGOF [k] • After-sales service [k] Other appropriate responses should be credited. Justification might include: Television [k] as able to include moving images to attract attention [an]. Another method is posters [k] as it can be seen by everyone who is passing by [an]. Television is the best method as this is a large business so it should be able to afford the cost involved [eval] and is likely to reach far more people than a poster [eval].

4(a)	**Identify <u>two</u> methods of external growth a business might use.** Award 1 mark for each method (max 2). Points might include: • Horizontal integration • Forward integration • Backward integration • Conglomerate/diversification • Joint venture Other appropriate responses should be credited.

4(b)	**Identify <u>two</u> reasons for globalisation**. Award 1 mark for each reason (max 2). Points might include: • Free trade agreements / economic trading blocs / reduction in trade barriers • Improved/cheaper transport/travel links • Improved communication networks/technology • Emerging/new markets are quickly expanding/rapid economic growth/rising income • Governments <u>allow</u> companies from other countries to set up operations in own country Other appropriate responses should be credited.

4(c)	**Outline <u>two</u> ways PKN could contribute to sustainable development.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Use renewable energy [k] in each of the 30 countries [app] • Use energy efficient/environmentally friendly methods [k] to make glass [app] • Use fewer resources/reduce output [k] in its factory/factories [app] • Recycle waste [k] • Use/develop new environmentally friendly products [k] • Avoid/reduce use of chemicals (that produce toxic waste) [k] • Use packaging made of recycled material [k] • Use packaging that can be recycled/reused [k] • Avoid unnecessary travel [k] • Use local supplier [k] • Replant trees [k] • Switching to environmentally friendly transport or examples [k] Other appropriate responses should be credited.

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4(d)	**Explain <u>two</u> diseconomies of scale which might affect PKN as it grows.** Award 1 mark for identification of each relevant diseconomy (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: • <u>Low</u> morale/motivation/lack of loyalty [k] leading to higher labour turnover / more workers leaving [an] among its 27 000 employees [app] • <u>Poor</u> communication [k] leading to mistakes [an] when making glass [app] • <u>Weak/lack</u> of co-ordination [k] leading to the wrong decisions [an] at the factory [app] • <u>Lack of</u> control [k] leading to higher average costs [an] Other appropriate responses should be credited.

4(e)	**Do you think the advantages of using retained profits to fund business expansion are greater than the disadvantages? 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 using retained profits to fund business expansion are greater than the disadvantages. Points might include: Advantages: • No need to repay [k] so does not increase level of debt/liabilities [an] • No interest to pay [k] so no additional cash outflows/expenses [an] • Easy/quick to obtain [k] Disadvantages: • Takes time to generate sufficient funds [k] which could <u>delay</u> the expansion [an] • May not have sufficient/any funds [k] so must <u>limit the size</u> of expansion [an] • (Keep more profit in the business) reduces payment/reward to owners [k] which may deter further investment [an] Other appropriate responses should be credited.

4(e)	Justification might include: An advantage is there is no interest to pay [k] so no additional cash outflows [an]. However, it may take time to generate these funds [k] delaying expansion [an]. The disadvantages are greater because expansion is likely to need a large amount of finance which the business may not have [eval]. Delay could mean the opportunity is missed [eval].

4(a)	**Define ‘average cost’.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Total cost divided by (total) output [2] • Total cost divided by the number of items produced/made [2] • The cost of producing a single product/unit of output [2] Partial definition e.g. • Cost divided by output [1] • Total cost divided by number of units [1]

4(b)	**Calculate total variable cost per month. Show your working.** Award 2 marks for a correct answer. Award 1 mark for correct method but incorrect answer. Correct answer: • $5 million [2] • 5 million/5m [2] • 5 000000 [2] Correct method but incorrect answer e.g. • Output × variable cost per unit [1] • 200000 × $25 [1] If correct answer given with no working shown award 2 marks.

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4(c)	**Outline <u>two</u> external costs MHL might create when producing its products.** Award 1 mark for each relevant external cost (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Loss of space/land use/deforestation [k] for the factories [app] • Pollution or examples such as smoke/fumes/noise/chemicals in the air [k] when making tyres [app] • Deplete natural resources [k] to make 200000 units [app] • Loss of wildlife [k] in the 6 countries [app] Other appropriate responses should be credited.

4(d)	**Explain <u>two</u> opportunities of globalisation for MHL.** Award 1 mark for identification of each relevant opportunity (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: • Increase potential sales/access more markets [k] for its tyres [app] increasing revenue/increase market share [an] • Cheaper/access (better quality) raw materials from other countries [k] for its factories [app] could help improve the profit margin [an] • Lower wages/cheaper labour [k] in the 6 countries [app] reducing (labour) costs [an] • Avoid/fewer quotas [k] which could limit quantity sold/able to sell [an] • Avoid/lower tariffs [k] so does not make products more expensive [an] • Access new technologies [k] which could improve efficiency/allow new product development [an] • Access to government grants (in other countries) [k] Other appropriate responses should be credited.

4(e)	**Explain <u>two</u> methods of communication a business could use to communicate with its suppliers. Which is likely to be the best method 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 the best method of communication for a business to use when communicating with its suppliers. Points might include: • Email [k] can be saved for future reference [an] • Phone/telephone calls [k] as these allow for (immediate) feedback [an] • (Online) meeting [k] allows everyone to discuss points/ask questions [an] • Video conference/Zoom/Teams/Google Meet/FaceTime [k] as people do not have to travel [an] • Text/SMS/WhatsApp/WeChat/(Facebook) messenger [k] but can contain limited information [an] • Letter [k] but time consuming to write/expensive to send [an] • Websites [k] but no feedback/one way communication [an] Other appropriate responses should also be credited.

4(e)	Justification might include: One method is a meeting [k] allows everyone to discuss points at the same time [an]. Another option is an email [k] because it is quick to send [an]. Email is a better method because it could allow the business to get the inventory it needs in a timely manner whereas the meeting could take too long to arrange [eval], and while waiting the business may have to stop production temporarily [eval].

2(a)	**Define 'licensing'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Business gives permission for another company (in the new market being entered) to produce the branded/patented products (under licence) [2] OR A business in one country permits a firm (in a foreign country) to produce its branded products (under licence) [2] OR When a business gives the right to others to produce/sell its products (in another country) [2] Partial definition e.g. allow someone else to make/sell your products [1]

2(b)	**Identify <u>two</u> factors which might affect how much inventory a business should hold.** Award 1 mark per factor (max 2). Points might include: • Demand for product/amount of sales • Perishability/nature/type of product/durability • (Storage) space available • Cost of storage/warehouse • Delivery charges • Seasons/celebrations/festivals • Amount of money available (to buy inventory) / cost of inventory / finance • Lead time/reliability of supplier • Method of production / rate/quantity of output • Stock control system / JIT • Forecast/expected shortages Other appropriate responses should be credited.

2(c)	**Outline <u>two</u> benefits to SNT of using batch production.** Award 1 mark for each relevant benefit (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Flexible [k] helping the business adapt to the new markets in other countries [app] • Production may not be affected to any great extent if machinery breaks down [k] so can continue to make some soft drinks [app] • Range/variety of products [k] when making 300 000 (bottles per week) [app] • Can motivate workers [k] Other appropriate responses should be credited.

2(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to SNT of forming a joint venture when entering new markets in other countries.** Award 1 mark for identification of each relevant advantage/disadvantage (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: Advantages: • Increase capital / share costs / share resources [k] when making its soft drinks [app] which can help the business reduce borrowing [an] • Access to shared knowledge/expertise [k] increasing productivity/efficiency [an] above 300 000 (bottles per week) [app] • Less need for market research [k] lowers (marketing) costs [an] • Avoid/reduce competition [k] increasing market share [an] • Share/lower (financial) risk [k] which reduces possible losses [an] • May be a legal requirement (in some countries) [k] Disadvantages: • Possible (management) conflict/disagreements/different ways of working [k] as other business may be less concerned about being ethical [app] which can slow down decision-making [an] • Mistakes will reflect on all parties [k] which can damage its reputation [an] reducing its ability to offer licensing [app]

2(d)	• Must share profit [k] which may reduce motivation of each party [an] • It will take time/effort to find the right partner [k] which may delay the expansion [an] Other appropriate responses should be credited.

2(e)	**Do you think the advantages to a business of being ethical are greater than the disadvantages? 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 to a business of being ethical are greater than the disadvantages. Points might include: Advantages: • Good image/reputation [k] so can charge high(er) prices [an] • Good relations with customers [k] which can develop customer loyalty [an] • Increase demand/sales/customers / enter new market [k] increasing revenue [an] • Help motivate workers [k] leading to lower absenteeism / lower labour turnover / increased productivity [an] • Help recruit/attract employees [k] • Investors more likely to invest [k] which may make it easier to expand/grow the business [an] • Can help create better supplier relations [k] Disadvantages: • Limited/fewer materials available [k] leading to less output [an] • High(er) costs [k] could lead to higher prices [an] • May take time to source suitable/ethical supplies [k] which could delay production [an] • May have to pay more to suppliers / for materials [k] leading to higher variable costs/cost of goods sold / lower gross profit margin [an]

2(e)	Other appropriate responses should be credited. Justification might include: One disadvantage is the business may have higher cost of materials [k] leading to a lower gross profit margin [an]. The business may have a better reputation [k] so able to charge higher prices [an]. Being ethical is better because higher prices could increase its profit margin [eval] which could cover the additional costs of materials [eval].

4(a)	**Define 'social enterprise'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. An organisation that has social objectives as well as an aim to make a profit to reinvest back into the business [2] OR A business with social objectives that reinvests most of its profits back into the business/into benefiting society at large [2] OR A business that seeks to raise income, which it invests in a specific social or environmental issue [2] OR A business set up to help society/a community rather than make a profit [2] Partial definition e.g. a business that aims to help/benefit society [1]

4(b)	**Identify <u>two</u> ways legal controls over marketing might affect a business.** Award 1 mark per way (max 2). Points might include: • No misleading promotion/advertising • No price fixing/charging very high prices where there is little or no competition • No selling faulty/dangerous goods/certain ingredients • Ensure products are fit for purpose • Price reductions must be genuine • Increased costs to meet the legal controls/pay fines • Spend longer time ensuring they meet the legal controls • May need to alter packaging • Restrictions on advertising certain products to some age groups/places. Other appropriate responses should also be credited.

4(c)	**Outline <u>one</u> advantage and <u>one</u> disadvantage to CFG of using skimming as its pricing method.** 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: • Helps establish a high-quality image/customers may think it is a good quality [k] which may also help as want to be ethical [app] • Can quickly recover research/development costs [k] which is important as developed a new product [app] • Higher revenue per item [k] for its chocolate [app] • May have a lower break-even output [k] Disadvantages: • High price might discourage (potential) customers [k] for this social enterprise [app] • High prices/profitability could encourage competitors to enter market [k] so may not be able to support local farmers [app] Other appropriate responses should be credited.

4(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to CFG of using retailers as its distribution channel for the new product.** Award 1 mark for identification of each relevant advantage/disadvantage (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: Advantages: • Producers can sell in large quantities to retailers [k] increasing revenue [an] from its new product [app] • Reduced costs **(compared to selling direct to consumers)** [k] increasing profit margin [an] in this social enterprise [app] • Retailer shares the cost of holding inventory [k] lowering expenses [an] • Retailers will promote the product [k] reducing the cost of promotion/increasing sales [an] • Access wider range of customers [k] Disadvantages: • No direct contact with consumer [k] about its chocolate bar [app] so may not adapt to changing needs [an] • Final price (paid by consumer) is often high [k] so may be uncompetitive [an] • Retailer takes some of profit away from the producer [k] • Producer loses some control of marketing mix [k] • Retailers usually sell competitors' products as well [k] Other appropriate responses should also be credited.

4(e)	**Do you think being ethical will always lead to lower profit 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 justified decision as to whether being ethical will always lead to lower profit for a business. Points might include: • Limited/fewer sources of materials [k] leading to less output [an] • Higher cost of materials [k] leading to higher variable costs/cost of goods [an] which lowers gross profit margin [an] • Workers may have to be paid more/fair pay [k] increasing labour costs [an] • May take time to source ethical supplies [k] which could delay production [an] • Good image/reputation [k] so can charge high(er) prices/ lead to customer loyalty [an] • High(er) demand / increase sales / enter new market / more customers [k] which could increase revenue [an] • Help recruit/motivate/retain workers [k] leading to lower absenteeism/increased productivity [an] • Investors more likely to invest [k] • Can help create better supplier relations (by paying a fair price) [k] • Less opposition from pressure groups [k]

4(e)	Justification might include: Being ethical could mean having to pay more to suppliers [k] increasing variable costs [an]. However, this could improve the business's reputation [k] allowing them to increase prices [an]. Being ethical will not always mean lower profit because a better reputation is likely to attract more customers [eval], and the extra revenue gained could cover the costs increasing profit overall [eval].