Solutions

Marking: **K** knowledge, **App** application to the case, **An** analysis (a developed chain of reasoning), **Ev** evaluation (a justified judgement); calculations earn **M1** for the method and **A1** for the answer.

Each answer shows the steps, then the **result**.

2.1

- (i) **horizontal**
- (ii) **vertical** (backward)
- (iii) **conglomerate**

2.2

- $12 \div 80 \times 100$
- $= \mathbf{15}$ %

2.3

- customers want a **personal** service from a stylist they know (K)
- and the market is **local**: people go to a salon near home, so each salon can serve only a few customers (An)

3.1

B

3.2

(a)

- $22 + 18 = \mathbf{40}$ %
- $40 \div 18 = \mathbf{2.2}$ times

(b) two advantages, each explained (K + App each):

- **economies of scale**: buying in bulk from farmers and suppliers at lower prices
- fewer **rivals**, so more market power to set prices
- cost savings from closing duplicate offices and warehouses

(c) a developed chain, for example:

- lower costs from bulk buying could be passed on as **lower prices** (An)
- but with 40 % of the market the firm faces less **competition** (K)
- it may raise prices or cut quality, since customers have fewer alternatives (An)
- some nearby stores may close, reducing **choice** (App)
- so whether consumers gain depends on whether cost savings are passed on (An)

(d) allow: (An)

- lower costs and possibly lower prices; a stronger firm may survive against online rivals and keep jobs

block: (An)

- 40 % is a large share: risk of **monopoly** power, higher prices, lower prices paid to farmers
- store closures may cost jobs and choice

judgement: (Ev) for example, allow it only with conditions, such as selling some stores in towns where both are present, because this keeps the cost savings while protecting competition.

Level 3 (6–8): both sides analysed and a justified judgement. Level 2 (3–5): one side analysed or both explained. Level 1 (1–2): simple points.