

Examiners' Report
June 2014

GCE Business Studies 6BS01 01

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Introduction

As in previous series for this paper, generally candidates appeared to be well prepared and continued to show sound approaches to answering both supported multiple choice questions in Section A and the structured questions found in Section B. Questions in both sections were designed to test across two or more assessment objectives. For questions 1 and 7 candidates' ability to show knowledge, understanding and application was expected, whilst for all other questions the skills of analysis and/or evaluation were also required.

Candidates' performance on this paper generally showed an effective grasp of business / economics concepts and theory, together with a good understanding of business practice and behaviour. Quantitative skills were demonstrated in response to questions 1 and 7, though this varied significantly. Successful candidates were able to make effective use of the stems and data in Section A questions, as these provided a context so that candidates could explain their answers to part (b) of the questions. Likewise, candidates who wrote answers in context in Section B scored better than those who did not. For example, clear reference to an aspect of Fitness Retreat Ltd enabled access to higher marks for levels of response questions 11, 12 and 13.

In keeping with the aims of the specification, centres are encouraged to deepen candidates learning through the study of a variety of businesses as part of the teaching and learning. If given this, they are more likely to develop and transfer their knowledge and understanding to less familiar contexts - which quite often the key to success in this unit. This can be achieved through use of a variety of stimuli - case studies, real business problem solving activities, company reports, newspapers, websites and, where possible, the use of educational visits/visitors from business in to school.

Section A

Examiners expected to see that candidates at least offered a guess to part (a) of these questions. However, as with previous series, this was not always done. The ability of candidates to gain the three marks for 'explain your answer' (show your workings) in part (b), distinguished stronger candidates. Candidates were able to score at least 1 mark out of 3 for part (b) by showing their workings in answers to questions 1 and 7 by stating the formula for operating profit margin and total contribution or contribution, respectively. Questions 2, 3, 4, 5, 6 and 8, required candidates to explicitly apply their knowledge, analyse and/or evaluate. Responses to these questions scored at least 1 mark in part (b) for the use of appropriate definitions/descriptions to help them support their correct responses to part (a), for example by describing what was meant by adding value in answer to question 3(b). Explanations of distractors were often less successful, with a number of candidates simply defining a distractor without explaining why it was incorrect in relation to the stem and question.

Section B

The Marvin - Mr Motivator case study appeared to be accessible to most candidates across the ability range. However, there was still a tendency for some candidates to misinterpret questions. For example a surprisingly large number of candidates analysed sales turnover in response to question 9(a), rather than sales volume. Likewise, a number of candidates discussed the pros and cons of Fitness Retreat Ltd being a private limited company compared to being a Plc in response to question 13(a) rather than evaluating how Fitness Retreat Ltd might be affected by limited liability.

Question 1

Somewhat surprisingly for a calculation question, candidates did not always score well with this question. Those who did indicate B in part (a) tended to score full marks by stating the formula and showing their workings.

Where marks were lost, it was usually as a result of not knowing the correct formula to use, or just working out gross profit but then omitting the divide by sales revenues x 100 requirement when calculating an operating profit margin %.

Few marks were gained through explaining distractors, though this was not necessary.

- 1 (a) In the year to 29 December 2011, the UK sandwich chain Pret A Manger experienced an increase in sales revenue of 15% to £377 million. Operating profits during the same period increased by 14% to £52.7 million.

This shows that over this period

(1)

- A costs must have increased by 1%
- B the operating profit margin was 14%
- C the operating profit margin fell by 1%
- D gross profits were £324.3 million

Answer

B

- (b) Explain your answer (show your workings).

(3)

$$\frac{52.7}{377} \times 100 = \text{operating profit margin}$$

$$\frac{\text{operating profit}}{\text{turnover}} = \text{operating profit margin}$$

$$\frac{52.7}{377} \times 100 = 14\%$$



ResultsPlus
Examiner Comments

Correct answer to part (a) - 1 mark.

Part (b) does not indicate full formula as misses off X 100, but inserts data correctly - 2 marks.

- 1 (a) In the year to 29 December 2011, the UK sandwich chain Pret A Manger experienced an increase in sales revenue of 15% to £377 million. Operating profits during the same period increased by 14% to £52.7 million.

This shows that over this period

(1)

- A costs must have increased by 1%
- B the operating profit margin was 14%
- C the operating profit margin fell by 1%
- D gross profits were £324.3 million

$$\frac{\text{operating profit}}{\text{Sales Revenue}} \times 100$$

Answer

B

- (b) Explain your answer (show your workings).

(3)



ResultsPlus
Examiner Comments

Part (a) correct answer - 1 mark.

Part (b) only gives formula, no workings - 1 mark.

- 1 (a) In the year to 29 December 2011, the UK sandwich chain Pret A Manger experienced an increase in sales revenue of 15% to £377 million. Operating profits during the same period increased by 14% to £52.7 million.

This shows that over this period

(1)

- A costs must have increased by 1%
- B the operating profit margin was 14%
- C the operating profit margin fell by 1%
- D gross profits were £324.3 million

$$\text{OPM} = \frac{\text{OP}}{\text{SR}} = \frac{52.7}{377}$$

Answer

B

- (b) Explain your answer (show your workings).

(3)

• ~~sales revenue~~ ~~price~~ ~~operating~~ ~~profit~~ ~~margin~~

$$\text{profit margin} = \frac{\text{operating profit}}{\text{sales revenue}} \times 100$$

$$\bullet \text{ OPM} = \frac{52.7}{377} \times 100 = 13.97$$

• 13.97 can be rounded up to 14%. which shows that the operating profit margin was 14%. and that B is correct.



ResultsPlus Examiner Comments

Part (a) correct answer - 1 mark.

Part (b) - provides operating profit margin formula and inserts data correctly - 3 marks.



ResultsPlus Examiner Tip

There is no need to take time to explain the rounding up of data, unless answers are very close. In this case it is clear that the only answer is B.

Question 2

Good candidates were able to offer a definition of market differentiation by either stating that the business/product stood out or is distinctive from the competition. However, too many simply stated that market differentiation meant that the product was 'different' from the competition. Candidates must realise that to simply repeat the terminology given in the question is insufficient – it is expected that explanations will take the topic at least one stage further. Those who chose the correct term in part (a) generally went on to score 1 or 2 marks in part (b). Some candidates confused differentiation with diversification and thus lost out in part (b). A significant number incorrectly chose A as the part (a) answer probably because they had misread the stem, assuming that 'in H&M stores' was a test launch. There were some good distractor explanations; generally candidates followed the approach that it couldn't be answer A – test marketing as the product had already been launched.

An unusual response which rather than give a definition in part (b) starts by explaining two distractors and then explaining the answer.

- 2 (a) In February 2012, football star David Beckham launched a range of men's underwear called Bodywear. This range is only being sold in H & M high street stores.

This business opportunity for H & M is best described as a form of

(1)

- A test marketing
- B trade-off \times
- C market mapping
- D market differentiation

Answer



- (b) Explain your answer.

(3)

It would not be a trade off as H & M would have had to sacrifice another clothes item for the underwear which it does say they did. ~~Also it wouldn't be market differentiation as other shops sell pants so its not introducing a new product~~ It wouldn't be market mapping as they are not positioning their whole company because of underwear and seeing what to price their products. It would be market differentiation as they are selling a product no where else does which makes them stand out.



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark.
Part (b) explains distractors B and C and explains answer - 3 marks.



ResultsPlus
Examiner Tip

Explaining more than one distractor is often an effective way to secure a second mark in part (b) if the candidate is unable to develop their explanation of the correct answer.

- 2 (a) In February 2012, football star David Beckham launched a range of men's underwear called Bodywear. This range is only being sold in H & M high street stores.

This business opportunity for H & M is best described as a form of

(1)

- A test marketing
- B trade-off
- C market mapping
- D market differentiation

Answer

A

- (b) Explain your answer.

(3)

Text marketing ~~this~~ is the testing of a product on a small ~~range~~ area of your business, to see how customers react and not waste money. It's A because they have only launched the range in high street stores to see how it sells. Trade-off is the decision between one product and another and in this case only one product and Market mapping is plotting your products onto a map to find a potential gap in the market.

(Total for Question 2 = 4 marks)



ResultsPlus
Examiner Comments

Part (a) incorrect - 0 marks.
Part (b) Defines test marketing and explains test marketing, but incorrect response.



ResultsPlus
Examiner Tip

Does not really explain the distractors market mapping or trade off - simply describes term/concept - 0 marks.

- 2 (a) In February 2012, football star David Beckham launched a range of men's underwear called Bodywear. This range is only being sold in H & M high street stores.

This business opportunity for H & M is best described as a form of

(1)

- A test marketing
- B trade-off
- C market mapping
- D market differentiation

Answer

D

- (b) Explain your answer.

(3)

Because David Beckham's underwear is exclusive to H & M it means they are different to the other shops because there are only ones who have the product, in some way it's a way of adding value to H & M. Market differentiation is where a business has something that ~~that~~ makes them stand out from the rest. Customers like to have things that are quite rare, so this will draw more people to H & M.



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark.
Part (b) defines market differentiation and explains answer.



ResultsPlus
Examiner Tip

Does not really develop the response appropriately or explain any of the distractors - 2 marks.

Question 3

Some candidates attempted to define 'value added' by stating, for example, that 'it is when value is added to a product during production'. Such comments did not gain a knowledge mark because they were simply paraphrasing words given in the question. It was expected that candidates would refer, for example, to 'changing inputs to enhance the benefits to consumers' or some such comment which meant that the product became more attractive/improved to consumers. A significant number struggled with including some application in their development of this response and simply relied on lifting information already contained in the stem, such as 'because they use fresh ingredients'. Stronger candidates suggested that the Amalfi did not use dried pasta or frozen vegetables which would therefore add value and so enable the prices of dishes to be higher. A number of candidates relied on trying to explain why distractors were incorrect but too often simply gave the definition of the distractor, for example by stating that contribution was selling price minus average variable cost.

- 3 (a) The Old Amalfi Italian restaurant in Russell Square, London, prepares more expensive dishes made with fresh pasta, herbs, fruit and vegetables.

The use of fresh ingredients at the Old Amalfi might be regarded as an example of (1)

- A contribution
- B qualitative research
- C trade credit
- D adding value

Answer



- (b) Explain your answer.

(3)

Adding value is when a business alters its products and improves them so they feel of higher value to customers, a higher price can then be charged.
Answer is D as using fresh ingredients improves the value of the dishes offered at the restaurant as it is of better quality. Answer is not B as qualitative research is a type of research that involves people's views and has no relevance to fresh ingredients.



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark.

Part (b) does not really define adding value but explains why higher prices can be charged given improvement in quality. Explains distractor D - 2 marks.

- 3 (a) The Old Amalfi Italian restaurant in Russell Square, London, prepares more expensive dishes made with fresh pasta, herbs, fruit and vegetables.

The use of fresh ingredients at the Old Amalfi might be regarded as an example of (1)

- A contribution
- B qualitative research
- C trade credit
- D adding value

Answer



- (b) Explain your answer.

(3)

Adding value is where the business differentiates their products to increase the difference between selling price and material input. Using fresh ingredients adds quality to Old Amalfi's dishes, allowing them to charge higher prices for their meals, and is a method of added value. B is incorrect because qualitative data enables a business to find out the opinions and behaviours of their customers, and the use of fresh ingredients isn't an example of this.



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark.
Part (b) defines added value, explain answer and explains distractor B - 3 marks.



ResultsPlus
Examiner Tip

Opening with a definition is an effective way to earn the first mark in part (b). However, be sure that the concept/term defined is a specification term.

Question 4

A number of candidates only scored one or two marks for this question mainly because they simply repeated or re-phrased information given in the question, instead of using this information to develop their choice of option. Some candidates, however, were able to correctly define a market niche or niche market and then go on to explain and develop a reason why Graphotism is an example of a product in such a market, often stating that street artists are untypical and not part of the mass market. Unsurprisingly, discrediting of distractor D was the most common approach from candidates who added more than just justification for A by stating that newsagents would sell magazines aimed at the more general customer, which would therefore mean a higher sales volume.

- 4 (a) Graphotism is a quarterly magazine aimed at street artists in the UK. It is not widely available to buy from newsagents.

Graphotism is an example of a product which has

(1)

- A a market niche
- B potential sample bias
- C limited liability
- D a high sales volume

Answer

A

- (b) Explain your answer.

(3)

Because a market niche is a gap in the market where a product of its type doesn't exist. So Graphotism is an example of this because it specifically targeted street artists in the UK. This is narrowing the magazine down to meet specific needs which may be where the gap was. It can not be D because you wouldn't expect high sales because it is so specific and not widely available in newsagents.



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark.
Part (b) describes what is meant by market niche. Explains answer and explains distractor D - 3 marks.



ResultsPlus
Examiner Tip

When explaining a distractor, choose the one you feel most confident about explaining.

- 4 (a) Graphotism is a quarterly magazine aimed at street artists in the UK. It is not widely available to buy from newsagents.

Graphotism is an example of a product which has

(1)

- A a market niche
- B potential sample bias
- C limited liability
- D a high sales volume

Answer

A

- (b) Explain your answer.

(3)

A niche market is a small portion of an overall market where the consumers have similar characteristics. Answer is A as selling the magazine to street artists is an example of a niche market as only a small portion of magazines will be sold to street artists in the overall market. It is ~~not C~~ not C as this is to do with liability when running a limited company.



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark.

Part (b) defines niche market and explains why the answer is A with reference to the stem. Does not really explain distractor C - 2 marks.

- 4 (a) Graphotism is a quarterly magazine aimed at street artists in the UK. It is not widely available to buy from newsagents.

Graphotism is an example of a product which has

(1)

- A a market niche
- B potential sample bias
- C limited liability
- D a high sales volume

Answer

A

- (b) Explain your answer.

(3)

Niche markets are small markets that aim their products to specific segments of the market. For example likeable and hobbies such as fishing or street art. The fact that it's not widely available shows that it's a market niche as the magazine is not aimed at the mass market. Also, street art is a fairly small interest that few people are interested in, therefore it is a market niche.



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark.

Part (b) defines niche market, explains response A and explains distractor D - 3 marks.

Question 5

This question proved to be a useful discriminator. Candidates who provided a good definition of supply, referring to the amount provided or produced at a given price and time tended to go on to score well. However, poor definitions of supply were too often seen by examiners. The major difference in responses here was whether the candidate understood that this was a supply question. Many definitions of demand were offered instead. The fall in price was often associated with the reduced costs in production, rather than the increased competition which would be caused by Yahoo's entry into the market.

Stronger candidates linked job cuts with the idea that the financing of Yahoo's entry into the mobile technology market could then be afforded given a reduction in labour costs.

Weaker candidates failed to realise the importance of the phrase 'a fall in'.

A number of candidates included an accurate supply and demand diagram in their answers which showed the effect of an increase (positive shift) in supply on price and sales volume. If an accurate definition of supply was given, these candidates tended to achieve full marks for part (b).

- 5 (a) In April 2012, Yahoo announced that it was cutting 14% of its workforce to focus its resources on supplying products in the profitable mobile technology market.

This is **most likely** to result in a fall in

(1)

- A the price of mobile phones
- B the demand for websites
- C Yahoo's long-term profits
- D the number of emails

Answer

A

- (b) Explain your answer.

(3)

A fall in price can be for many reasons but the main one is to gain a competitive advantage, so if Yahoo started making mobile technology other mobile phone companies would see Yahoo as a competitor and may lower their prices because of them.



ResultsPlus

Examiner Comments

Part (a) correct - 1 mark
Part (b) explains answer - 1 mark



ResultsPlus

Examiner Tip

An extra mark here could have been gained by simply explaining a distractor given that the question reads 'most likely'

- 5 (a) In April 2012, Yahoo announced that it was cutting 14% of its workforce to focus its resources on supplying products in the profitable mobile technology market.

This is **most likely** to result in a fall in

(1)

- A the price of mobile phones
- B the demand for websites
- C Yahoo's long-term profits
- D the number of emails

Answer

A

- (b) Explain your answer.

(3)

Supply is the amount of a good or service a business is willing to provide at any given time, or price. If ~~they~~ Yahoo focus more on supplying products, they'll release more phones and the price will fall as a result of higher supply. Yahoo's long term profits will most likely increase as there is a demand for mobile phones and they're supplying more of them, at a cheaper price, therefore Yahoo's long term profits will not fall.



ResultsPlus

Examiner Comments

Part (a) correct - 1 mark.
Part (b) Defines supply, explains answer and explains distractor C - 3 marks.

Question 6

This was essentially a question regarding entrepreneurial motives. Generally good definitions of ethical stance were provided. Development of answers in relation to Tesco often identified the need for profitability, but few candidates were aware enough to include the possible influence of the directors and/or shareholders as key stakeholders to whom profits and dividends are intrinsic. Many were then able to explain why at least one of the distractors was incorrect; often explaining A in that unemployment would lead to a reduction in disposable income and therefore the demand for luxuries like cars.

However, too many candidates failed to take notice of the term 'except' and consequently chose either Option A or Option D. Some candidates defined unemployment but unfortunately a mark could not be given for this since it was an incorrect answer to the question.

- 6 (a) Tesco, the UK's biggest supermarket chain, was due to launch Tesco Cars – an online car sales company – in the summer of 2012. However, Tesco abandoned the project.

This decision may be explained by each of the following, **except**

(1)

- A rising levels of unemployment
- B difficulties in obtaining a supply of vehicles
- C an ethical stance taken by directors
- D increasing motor insurance costs

Answer

C

- (b) Explain your answer.

(3)

If levels of unemployment increase it means people have less disposable income to spend so would not buy luxury goods such as cars which would reduce the demand.

An ethical stance is making a stand against something you believe to be not right socially or morally wrong.

Setting up a online car company is not morally wrong so would not have prevented the abandoning of the product.

Also if insurance of cars increased then less demand for cars would be around as they are complementary goods.



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark.

Part (b) defines ethical stance, explains distractors A and D - 3 marks.

- 6 (a) Tesco, the UK's biggest supermarket chain, was due to launch Tesco Cars – an online car sales company – in the summer of 2012. However, Tesco abandoned the project.

This decision may be explained by each of the following, **except**

(1)

- A rising levels of unemployment
- B difficulties in obtaining a supply of vehicles
- C an ethical stance taken by directors
- D increasing motor insurance costs

Answer

C

(b) Explain your answer.

(3)

There is little unethical about selling cars, and directors are likely to be more concerned with maximizing profits, not how ethical an industry is. Rising levels of unemployment, however means that all these unemployed people are unable to afford to buy a car, reducing the target market. Difficulties in obtaining a supply of vehicles is also likely to cause issues, if they could buy these cars, by not selling them on, or vice versa then the business would be short-lived and unsuccessful. Increasing motor insurance costs, again mean that people are unable to afford to buy cars, and in this case insure them.

(Total for Question 6 = 4 marks)



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark.
Part (b) does not define ethical stance but explains why ethical stance is correct answer given that directors at Tesco are likely to be more interested in profits.
Explains distractors A and B - 3 marks.



ResultsPlus
Examiner Tip

This response shows that definitions are not always necessary to gain three marks for part (b).

Question 7

Many candidates correctly identified a formula for contribution but often there was confusion between total contribution and contribution per unit. Surprisingly, some of the candidates were unable to insert the correct data into the formula (total revenue minus total variable costs). Nevertheless, a significant number of candidates gained two marks in part (b) for correctly calculating and showing total contribution as the answer C - £160. A mark in part (b) was awarded for calculating total revenue at £240. Some candidates even gained a mark for recognising that response A - £240 actually related to this. A number of candidates chose option D - £140, because they included the fixed costs of £20 in their calculation.

An unusual approach which is well explained showing the knowledge and application which is necessary to gain three marks for part (b).

- 7 (a) To raise money for the charity Children in Need, a group of business students at Landau Forte College in Derby, bought and resold Krispy Kreme doughnuts. Cost of sales was £80, average selling price was £1.20, fixed costs were £20 and 200 doughnuts were sold.

What was the total contribution from the sales of the doughnuts? (1)

- A £240
- B £220
- C £160
- D £140

↓
SP - VC

Answer

C

- (b) Explain your answer (show your workings). (3)

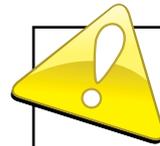
Because selling price per don doughnut was £1.20 and variable cost per doughnut were $£80 \div 200 = 40p$. Then you use these figures to work out contribution which is $\text{selling price} - \text{variable cost}$ which is $£1.20 - 40p$ which equals 80p but you per unit (per doughnut) but you want the total contribution so over that by total sold ($80p \times 200$) which is £160. So the answer is C



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark.

Part (b) explains how from a selling price of £1.20 there is a contribution per doughnut of 80p and explains that in order to get total contribution you have to multiply by the number sold - 200, which gives £160 - 3 marks.



ResultsPlus
Examiner Tip

Explanations like this are acceptable, but simply using a formula and inserting the appropriate data may prove to be more expedient.

- 7 (a) To raise money for the charity Children in Need, a group of business students at Landau Forte College in Derby, bought and resold Krispy Kreme doughnuts. Cost of sales was £80, average selling price was £1.20, fixed costs were £20 and 200 doughnuts were sold.

What was the total contribution from the sales of the doughnuts?

(1)

- A £240
- B £220
- C £160
- D £140

Answer

C

- (b) Explain your answer (show your workings).

(3)

Contribution is Price - variable cost per unit

$$\text{variable cost per unit} = \frac{£80}{200} = 40p$$

$$£1.20 - £0.40 = £0.80 \times 200 = \underline{£160}$$



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark

Part (b) gives correct formula for contribution as price minus variable cost per unit. Determines total contribution by multiplying this result, 80p, by the number of doughnuts sold, 200, to show £160.

Question 8

Generally candidates answered the question well by including a definition of primary research and explaining why market intelligence reports are a form of secondary research. Some students are still referring to primary research as "collected by the business itself" which is not a clear enough answer to gain a mark as often primary research is sub-contracted out to market research companies on behalf of a business. The key to a correct definition here was whether it was original research ('first-hand') or for specific use by the business itself. Few candidates were able to access the full 3 marks for part (b) by giving correct explanation of the correct answer or development of why the distractors were incorrect. Only a small number of candidates were able to demonstrate a distractor in relation to Burger King, such as observations of customers in the Burger King fast food store. Some candidates appeared to try and score a mark by stating that answers B, C and D are all examples of primary research, without actually explaining why at least one of these was incorrect.

- 8 (a) In the spring of 2012, Burger King (BK) transformed its menus and the design of its fast-food outlets – the biggest changes since the chain opened its doors in 1954.

Sources of primary research data for BK might have included all of the following, **except**

(1)

- A market intelligence reports
- B product trials
- C loyalty card application forms
- D observations

Answer

A

- (b) Explain your answer.

(3)

Primary research is research carried out first hand by the business sometimes called field research. Market intelligence reports is not research done by them themselves, it is a form of secondary research that already exists. Product trials, observations & loyalty card application forms are all research techniques carried out by the business specifically to research potential changes. They give up to date information from reliable sources that no one else has gained this information before.



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark

Part (b) defines primary research and explains why A is the correct answer because it is secondary research as it 'already exists'. Does not use the context of Burger King to explain any of the distractors, but simply describes them altogether as 'carried out by the business specifically' - 2 marks.



ResultsPlus
Examiner Tip

Avoid simply explaining all distractors with a sweeping statement. Focus on explaining one distractor in turn - up to two marks maximum for part (b) for explaining distractors.

- 8 (a) In the spring of 2012, Burger King (BK) transformed its menus and the design of its fast-food outlets – the biggest changes since the chain opened its doors in 1954.

Sources of primary research data for BK might have included all of the following, **except**

(1)

- A market intelligence reports
- B product trials
- C loyalty card application forms
- D observations

Answer

A

- (b) Explain your answer.

(3)

Primary research is the collecting of information firsthand that has never been published before. Examples include questionnaires and observations. Whereas A is not a source of primary research because it is a source of secondary research. This is because market intelligence reports has already been published by somebody else. Burger King wouldn't have collected it themselves.



ResultsPlus
Examiner Comments

Part (a) correct - 1 mark

Part (b) defines primary research. Explains why market intelligence reports is the right answer - it is a source of secondary research. Develops this statement to comment that these reports have already been published by somebody else - Burger King would not have collected it themselves (3 marks).

Question 9

9 (a) The majority of responses displayed knowledge of sales volume as the amount of products/services actually sold. However, there were some candidates who incorrectly defined 'sales revenue' instead. There was some confusion over the use of case material, with some candidates incorrectly referring to 'stay-away breaks' or 'The Lindens' and so were unable to gain the application mark. Nevertheless, many candidates gained the full three marks available for this question. The analysis mark was often gained by stating that Marvin's reputation should lead to more clients through word of mouth or recommendation.

9 (b) Most candidates tended to provide a definition of variable costs as costs which vary with output to gain the knowledge mark. Candidates generally found it easy to link the variable costs of hiring of gyms or equipment to Advanced Conditioning Ltd. Some even stated the costs of electricity or stationery supplies for Marvin's home office might increase as the suppliers may put up their prices. However, some candidates failed to gain the application mark by stating things like the costs of renting countryside accommodation, which applied to Fitness Retreat Ltd.

9 (a) Analyse **one** reason why Advanced Conditioning Ltd might experience an increase in sales volume.

(3)

One reason why advanced conditioning might experience an increase in sales volume may be through word of mouth recommendations. If lots of their customers were to recommend him to others or if other businesses had heard of him then it would lead to an increase in sales volume as he is getting more customers through the door.

(b) Analyse **one** reason why Advanced Conditioning Ltd might experience an increase in variable costs.

(3)

Variable costs are costs that can change each month dependent on the level of output. Advanced conditioning may experience an increase in variable costs depending on their level of output at the time. If there were more customers using their facilities, then their variable costs would increase as they would have to hire more equipment to cater for them, increasing the costs. The customer numbers could decrease the next month meaning that they hire less equipment or use less electricity so the costs will decrease so customer numbers will affect and increase the company's variable costs.

(Total for Question 9 = 6 marks)



ResultsPlus

Examiner Comments

(a) identifies factor - word of mouth (knowledge) explains it would lead to more customers because of recommendations (analysis) - 2 marks.

(b) defines variable costs (knowledge) explains how costs like hire of equipment (application) would increase because of more customers using their facilities (analysis) - 3 marks.



ResultsPlus

Examiner Tip

The question refers to Advanced Conditioning Ltd; therefore it is vital that responses refer clearly to context.

9 (a) Analyse **one** reason why Advanced Conditioning Ltd might experience an increase in sales volume.

(3)

An increase in sales volume could be caused by ~~more people~~ declining health, and growing obesity in the UK. With more and more unhealthy people there will be more wanting to 'change', and get their ideal body size.
Sales volume refers to the amount of a product or service sold.

(b) Analyse **one** reason why Advanced Conditioning Ltd might experience an increase in variable costs.

(3)

There ^{is} ~~with~~ variable costs (ones that change depending on production or custom), as some of their equipment and venues are hired. With the growing popularity and increase of business for Advanced Conditioning LTD more people will be requiring him to hire equipment and premises - thus leading to an increase in variable costs.



ResultsPlus Examiner Comments

(a) defined (at end) sales volume (knowledge), explained in context - health/obesity (application) why the sales volume would increase (analysis) - 3 marks.

(b) defines variable costs (knowledge), explains in context - more equipment/hire facilities (application) why this would increase (analysis) - 3 marks.

Question 10

This question was well done by the majority of candidates, with marks only being lost where vague knowledge of a business plan was seen or where candidates failed to develop fully a reason why the plan might be necessary for Advanced Conditioning Ltd. Good answers suggested that a business plan would be used to help secure external finance as it would usually contain a cash flow forecast so that lenders could see that the business had the potential to pay its creditors. Some of the stronger candidates even stated that a business plan could help support the monitoring of business performance against things like the predictions of the number of clients or advertising or staffing costs.

10 Explain **one** reason why it might have been necessary for Marvin to prepare a business plan for Advanced Conditioning Ltd.

(4)

A business plan gives Advanced Conditioning Ltd an overview of how the business will be run and its cash flow forecasts. This could be a vital tool for Marvin to use as he may need to be careful ~~of~~ about how much he is spending, and how much he is earning, as he is always leasing equipment. ~~Also~~ ^{therefore} a business plan would help Marvin keep track of his cashflow ensuring his business can stay running and can also allow him a chance to take out a loan with a bank, as ~~they~~ banks want to identify if the business will be successful by looking at the cash flow forecast, and depending on if it is not too risky, he could get a loan so he could buy his own equipment.

(Total for Question 10 = 4 marks)



ResultsPlus
Examiner Comments

Describes that a business plan includes a cash flow forecast (knowledge) which Marvin would use to be careful about how much he is spending on leasing equipment (application) which may highlight he requires a loan from a bank (reason - analysis) and if so, the bank could use the business plan to judge if the loan, from the cash flow forecast, would be too risky (analysis) - 4 marks.



ResultsPlus
Examiner Tip

Sometimes marks were lost on this question as candidates simply described more than one reason for the preparation of a business plan. Always read the question carefully.

Question 11

Reasonable responses were seen from most candidates. Candidates tended not to focus on product trials in a generic sense but rather identifying that in this case they could be largely conducted in a particular region or town, arguing that client responses may not be representative of all other areas of the country. The majority of candidates were able to analyse the value of product trials to Fitness Retreat Ltd, often using the case study material to support their response, e.g. by referring to clients using the heated swimming pools or all-weather tennis courts. However, too many simply suggested that a drawback of such a market research method might be 'cost' or 'time-consuming' without going on to explain how or why these might be a problem for Fitness Retreat Ltd. A few candidates wrote very detailed responses but could not gain any marks above Level 3 – 5 because they failed to relate their responses to the case study.

11 Evaluate the likely value of product trials to Fitness Retreat Ltd.

(8)

A product trial is when a product is used on a segment of a market to test initial reaction.

Product trial of the Fitness Retreat would have been a huge advantage to Marvin ~~more~~ because it would allow him to see if it was what customers demanded and to see if the project was worthwhile. It would have also allowed to see if the consumer would continue to buy the product or repeat purchase, which is important to know ~~for~~ to gain brand loyalty.

Product trial also helps to reduce costs. The trial may cost a lot but it doesn't cost as much as ~~setting~~ ~~producing~~ ~~the~~ ~~products~~ ~~properly~~ ~~and~~ ~~not~~ developing the product and business straight away.



ResultsPlus
Examiner Comments

Candidate analyses product trial, but not really in context. Level 3 - 5 marks.



ResultsPlus
Examiner Tip

Again, with levels of response questions, the use of context is vital if candidates are looking to achieve more than the lowest mark at level 3.

11 Evaluate the likely value of product trials to Fitness Retreat Ltd.

(8)

Product trials are where product or services are trialled with a small group of the market before mass marketing or product service.

Product trials would have been valuable to Fitness Retreat Ltd because it would help them gather more information about the potential market. It would help them understand the customer needs and preferences towards companies offering luxury beach holidays. It would show them if people would be interested and avoid a large scale launch of the luxury fitness breaks, which they could do as they did not get a potential market audience.

However given the market's past experience and the people's knowledge with experience they should know the market quite well already, therefore product trials might provide the information they already know, therefore providing little value. Furthermore product trials are very expensive and are only representative of a small percentage of the overall market so do not provide a conclusive overall view. As the market is small anyway there would be that much risk if a new product was not well received especially well being spread in a niche market.



ResultsPlus
Examiner Comments

Candidate evaluates the value of product trials to Fitness Retreat Ltd in context. Level 4 - 8 marks.

Question 12

Many candidates were able to achieve high marks on this question. Marks were lost when a response focused on simply the effect of an increase in unemployment on the consumer rather than on the consequences for Fitness Retreat Ltd. The majority of candidates did focus their responses on the business and were able to evaluate using information from the case study. Most candidates suggested that lower disposable incomes might cause sales to fall given that such fitness getaways are a luxury purchase and therefore less affordable.

Some candidates argued that more leisure time resulting from unemployment may be beneficial to Fitness Retreat Ltd as it will give more opportunity to visit, recognising that this depended upon the wealth and disposable income available to those potential clients. Others argued that when recruiting for more staff, unemployment might provide a better choice and cheaper source of labour; an assertion but this was rewarded if justified. Stronger candidates considered the extent of the increase in unemployment and referred to the fact that with many more people looking for work, the push for higher wages by existing staff would be lessened which might save Fitness Retreat Ltd costs.

There were a number of references to the fact that the type of clients going to these retreats would have highly paid and secure jobs and plenty of disposable income, not always realising that there is executive unemployment as well.

Unemployment is the amount of people willing and able to work but not currently employed.

An increase of unemployment will negatively effect Fitness Retreat Ltd as people will have less disposable income so will spend more on necessities and less on luxuries - like a personal trainer, and use cheaper methods instead. This would result in less profit being made and you may follow in the steps of other companies and not survive through the recession. The demand for his service will fall and so will sales. Also if competitors lower prices to influence demand he will have to do the same.

However Marvin works with professional sports people so unemployment may not effect him as his clients are all professional. His target audience will not think his service as a luxury and will be prepared to pay for his added value. Moreover if Marvin has to look for new staff it gives him an advantage as there will be more of a variety of people all with skills and he can pay them less than normal as they will take anything. Meaning his wage costs go down.

Overall I believe an increase in unemployment will not really effect him as he built up a strong client base and with an increase of obitcity the demand is there, however it will still cause some slight problems and maybe a slight decrease in sales.



ResultsPlus

Examiner Comments

Candidate evaluates in context whether or not an increase in unemployment would affect Fitness Retreat Ltd. Level 4 - 8 marks.



ResultsPlus

Examiner Tip

Note the candidate's simple table in the top right hand corner to show that when evaluating it is necessary to include an argument for and against. Quite a useful reminder technique.

Question 13

13 (a) The effect of limited liability was often closer to a knowledge statement rather than an analysis and so responses were very generic. Most students understood the text book consequences of limited liability, such as personal possessions of owners not being at risk, but were unable to apply it very well to Fitness Retreat Ltd, e.g. by considering the effect on shareholders other than Marvin, such as the chef and masseur and importance to obtaining loans and therefore the likelihood of the business achieving its objectives.

13 (b) The effect of taxation changes too often offered a generic approach rather than distinguishing between the different taxes that could change and therefore the differing impacts on Fitness Retreat Ltd. The higher scoring candidates did do this, for example by explaining how an increase in personal income tax rates might affect disposable incomes and therefore reduce spending. Or how an increase in VAT might cause prices charged to rise if not be absorbed by the business. Stronger candidates then moved on to measure the extent of that impact in terms of the client's demographics and of the extent of the change in tax. Less able candidates simply stated things like 'tax increases would be bad for the business', without naming specific taxes or explaining why. A surprising number of candidates wrongly stated that tax, as a cost, is deducted before net profit is calculated. Very few recognised that an increase in income tax might not affect Fitness Retreat Ltd's customers too much since they are probably quite wealthy.

(b) changes in government taxation policy.

(6)

Changes in government taxation policy may mean that some costs may increase for example, when VAT changed from 17.5% to 20%. This may mean that when hiring their venues or machinery fitness retreat may have to pay more than before therefore increasing costs ^{which may} resulting in ~~lower~~ decreased profits. However, instead of this may also increase sales as other competitors such as ~~the~~ Butlins or leisure parks may pass the VAT cost down to the customer therefore increasing their prices. ~~But~~ Fitness retreat would absorb the costs and may not increase prices meaning people may find it a cheaper alternative and come to the fitness retreat, therefore increasing sales which may increase revenue leading to a increase in profits if costs don't rise disproportionately.



ResultsPlus
Examiner Comments

Part (a) not answered - 0 marks.
However, in part (b) the candidate demonstrates the evaluation of VAT in context - 6 marks.



ResultsPlus
Examiner Tip

This candidate may have scored one mark by simply defining limited liability. Try not to leave questions blank - have a go.

Some candidates attempted to evaluate by simply describing how Fitness Retreat Ltd might benefit if taxes fell and lose out if taxes increased. This was not accepted as evaluation.

*13 Evaluate the extent to which Fitness Retreat Ltd might be affected by

(a) limited liability

(6)

Limited liability means that the owner or owners are only responsible for the money they used to originally start up the business. Fitness Retreat LTD are a private limited company means they do have limited liability. So if the business was to fail and have to be shut down it means the 5 partners would not personally owe any money to banks if they did have a loan. ~~the~~ If the business did have any fixed assets these would be sold to try and pay back the money the business owed. Limited liability is good for Fitness Retreat LTD as the owners would not become in any debt if the company did fail. Allowing them to carry on with their lives debt free.

(b) changes in government taxation policy.

(6)

Taxation is the amount of money the government takes of every working person. they then use this to fund government ~~functioning~~ ^{spending}. If the rate of taxation increases then Fitness Retreat would end up with less money as tax has to be paid. making the company less profitable. Also the company's customers will have less money to spend on luxuries like the fitness retreat. So ~~the~~ fitness retreat may see a fall in sales due to high levels of taxation. On the other hand if tax is reduced then the company and customers will have more money so an increase in sales may occur. Whatever happens to taxation fitness retreat will be affected.



ResultsPlus
Examiner Comments

Part (a) analyses in context how Fitness Retreat Ltd (the 5 partners) might be affected by limited liability. Level 3 - 4 marks.

Part (b) analyses in context how Fitness Retreat Ltd (luxury product) might be affected by changes in taxation. Level 3 - 4 marks.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Remember to answer all part (a) sections of Section A, even if it means guessing as this would at least give them a 25% chance of getting the answer right
- Use definitions or written formulae in part (b) of Section A since this often attracts a knowledge mark; the concept defined should normally be in the question or found in the correct response
- Remember to explain why one distractor is wrong in part (b) when the supported multi-choice question in Section A reads 'most likely', 'least likely', 'except' or 'best' because these questions are asking the candidate to make a judgment which they can very often strengthen by not only explaining the answer they chose in part (a) itself, but also one of the alternatives dismissed.
- Read the case study in Section B carefully – candidates are advised to spend 5 mins reading this and, if necessary, highlighting key words or points which might enable them to answer the questions that follow
- Read questions carefully and attempt to answer the question actually set. On a number of occasions evidence has shown, particularly in Section B, that candidates can waste valuable time struggling with an answer to a question that was not on the paper or trying to gain marks through an 'all I know about approach' which rarely scores any marks.
- Candidates should spend time to plan their answers to levels of response questions 11, 12 and 13. These carry the most marks (8, 8 and 12, respectively) so writing a balanced answer can make all the difference to the awarded grade.
- Candidates are advised to work on the basis of a '1 minute per 1 mark rule' given that this paper is for 75 mins, with 70 marks and the recommended 5 minutes reading time for the case study.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

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