



Marking activity

Example 1: Assess

Reference materials: AS Sample Assessment Materials:

- Page 6 for the extract
- Page 11 for question (1f)
- Pages 23-24 for mark scheme

Question

Assess the importance to YOTEL of having a flexible workforce.

(10 marks)



Response 1

(f) Assess the importance to YOTEL of having a flexible workforce.

(10)

A flexible workforce is one where many employees are able to do many jobs at a variety of times with little difficulty of transition.

YOTEL's business model of a fast cheap and convenient hotel room means that a large amount of their added value is generated by the fast turnover of cleaning a room in order to sell it again. Therefore, being able to re-delegate workloads quickly when sectors such as reception are in a lull and cleaning services exceed help is essential. This will allow YOTEL to be in continued use of their resources and reduce wasted man hours, increasing ~~the~~ productivity, reducing average costs and leading to greater profitability.

However, the opportunity cost of flexible training means that no employees will be specialised in any area, leading to a lower average quality of customer service or room cleaning detracting from the quality of the YOTEL service and reducing its perceived value to consumers.

The extent to which a flexible workforce is beneficial depends on the fluctuations of departmental workloads.

If each sector of the Hotel has (Total for Question 1 = 30 marks)

stable workloads, flexibility is less important. TOTAL FOR SECTION A = 30 MARKS



Response 2

(f) Assess the importance to YOTEL of having a flexible workforce.

(10)

A flexible workforce is a group of employees that understand how to perform a variety of different jobs and functions within a business.

Yotel has a 24/7 automated check in system which means that they do not need to employ ^{specially trained} reception staff. But on the other hand not having specially trained staff if people have problems signing in then the staff might not know what to do, so reducing costs may not be a good thing in a way.

Although having a flexible workforce means that they would be able to work flexible hours. So by having flexible workforce this can reduce costs which will therefore increase revenue. This could possibly increase motivation of the staff because they can work the hours that they want.

There could also be a decrease in motivation even though they are working flexible hours because there will be a fluidity within the workforce ~~team~~ which means that the quality of service could go down which would lead to bad reports for Yotel which potentially lead to a decrease in demand which will lead to ^{increase} ~~decrease~~ in prices.

(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS



Example 1: Evaluation

Reference materials: AS Sample Assessment Materials:

- Page 16 for the extract
- Page 17 for question (3)
- Pages 31-33 for mark scheme

Question

Evaluate the likely impact on the finances of a business of using a pricing strategy such as that used by Ryanair

(20 marks)



Response 1

- 3 Evaluate the likely impact on the finances of a business of using a pricing strategy such as that used by Ryanair.

(20)

A pricing strategy is the way in which a business decides upon the price of its product or service.

Ryan Air uses penetration pricing because they charge low prices and make small profit margins. By charging a lower price than British Airways, they attempt to penetrate the market and gain market share. Ryan Air's airline service is price elastic, because of their reduced prices this will therefore increase revenue. So if Ryan Air doesn't fill up their flights to America for example they will be making a loss because their fixed costs will be higher than their variable costs. But if they fill up every seat on the plane then they will have increased profit margins but they won't make as much on each ticket sold.

On the other hand though if other companies such as American Airlines saw the prices being charged by Ryan Air and saw that they were selling out in all their planes then this might cause American Airlines to change their prices which could result in a price war. But also on the other hand because Ryan Air gives customers a number of add-ons such as hot meals and bottles of water Ryan Air might not make the same revenue from each customer.

So because Ryan Air charge cheap prices they will most likely fill up most of their flights which therefore



means more in-flight staff will be needed to please customers so they can have good customer service.

So overall in my opinion it depends on how many people there are on each flight and how many extra add-ons they buy because if they don't buy enough add-ons then they will not make any revenue on each customer but it depends on the PED because if Ryan Air increases their prices then the number of passengers per flight goes down but if they keep their price low then it is most likely that they will have full flights. But it is most likely to be unitary price elastic because it is most likely to be as price changes this causes the same proportional change in quantity demanded.



Response 2

- 3 Evaluate the likely impact on the finances of a business of using a pricing strategy such as that used by Ryanair.

(20)

A pricing strategy is a set of rules and ideas to be followed in order to place a price on a product by a firm.

Ryanair's pricing strategy allows them to advertise on absurdly low initial price ^{for flights} and gain the attention of many consumers. They then capitalise and make profits with larger profit margins on complimentary goods, such as food or baggage services, where Ryanair are the only providers.

If a firm were to use a pricing strategy such as Ryanair's, they would likely see an initial spike in demand as many customers would be drawn to the low advertised price. However, in order to advertise such a low price, it is unlikely to be a profitable venture and as such, profits from the advertised sale would likely fall or be negative. However, with the correct ~~of~~ compliment of necessary complimentary goods with high profit margins, the losses could be recuperated and large profits could be generated. The increase in sales would give the firm a larger market share than previously in the short term.

However, consumers would soon realise that they have been baited into a deal where the



overall cost may be greater than that of competitors. This immoral behaviour by the firm could generate poor publicity of the deal leading to many new consumers choosing to leave, as well as some existing consumers. This could lead to a long term tarnishing of the firm's reputation and a long term fall in sales. This can be seen with Ryanair, as they are often subject to jokes by many popular comedians such as Russell Howard, ~~joking about the~~

Overall, the extent to which a firm could benefit from this pricing strategy depends on the current economic climate and the price elasticity of demand of the good/service. In a recession or slump, consumers will be drawn ^{more} to the lower price. This is also true if the demand is price elastic and there will be a mass surge in demand when price demands as dictated by the pricing

(Total for Question 3 = 20 marks)

strategy

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS