



A Level Economics B

MOCKS MARKING TRAINING

Delegate booklet

A level Economics B: Delegate booklet

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Explain (4 marks)

Question

This question is taken from the A level specimen Paper 1, question 1b.

Extract A: Travel Behaviour

There is some evidence to suggest that UK residents changed their travel behaviour in 2008–09, by choosing to take holidays within Great Britain rather than abroad. This has been referred to as the ‘Rise of the Staycation’. A holiday visit is defined as a visit to a destination for holiday purposes that includes at least one overnight stay.

(Source: <http://www.ons.gov.uk/ons/rel/tourism/tourism-satellite-account/2010—the-economic-importance-of-tourism/sty-home-or-away-staycation.html>)

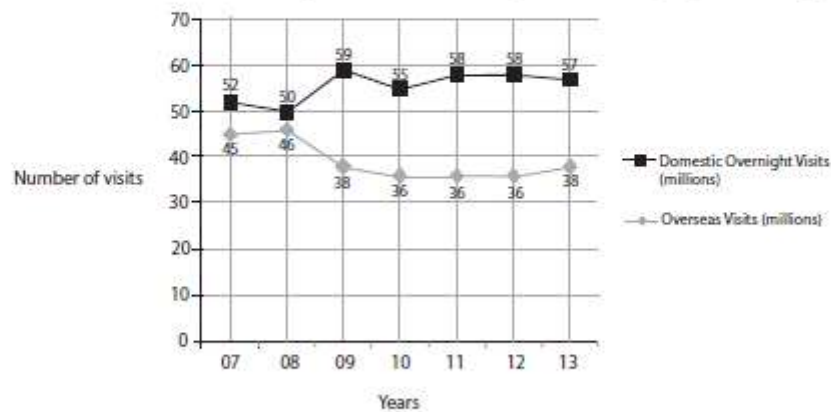


Figure 1

The Number of Holiday Visits In GB and to Overseas Destinations by UK residents 2007–2013

(b) Using Figure 1, explain the variation in the types of holiday taken by UK citizens between 2007 and 2013.

(4)

Sample 1

Foreign holidays have decreased while no domestic holidays have increased. This is because a recession occurred in 2008. So people's incomes fell and many people lost their jobs, therefore they were not able to afford overseas visits. So instead, switched to domestic overnight visits which are cheaper. This is shown as ~~the~~ domestic holidays had risen from 52 million visits ^{in 2007} to 57 million visits in 2013.

Sample 2

The number of UK residents having foreign holidays has decreased between 2007 and 2013, whereas the number of domestic holidays has increased. In 2007 the number of ^{overseas} visits was 4.5 million whereas in 2013 this had decreased by 7 million to 3.8 million. In comparison to the domestic holidays which increased by 5 million visits. The decrease in foreign visits ~~could~~ ^{can} be the result of a reduced disposable income due to people losing their jobs in the 2008-2009 recession. Therefore as a result consumer confidence might have fallen and so they will settle for a cheaper substitute, a cheaper domestic holiday, which is responsible for the increase in domestic holidays.

Mark scheme

(b) Using Figure 1, explain the variation in the types of holiday taken by UK citizens between 2007 and 2013.

(4)

Question Number		Mark
1(b)	<p style="text-align: center;">Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for identifying variation e.g. domestic holidays have increased while overseas holidays have decreased.</p> <p>Application: up to 2 marks are available for a contextualised answer, e.g. Figure 1 shows that the total number of overseas holidays in 2007 was 45 million visits compared to 2013 where the total number of visits was 38 million visits (1) Figure 1 shows that the total number of domestic holidays in 2007 was 52 million visits compared to 2013 where the total number of visits was 57 million visits (1)</p> <p>Analysis: 1 mark for developing a reason for the variation e.g. the recent recession has meant less disposable income/lower consumer confidence and consumers have substituted cheaper domestic holidays for overseas ones.</p>	(4)

Assess (10 marks)

Question

This question is taken from the A level specimen Paper 1, question 1f.

Extract C: TUI Travel plc (TUI)

TUI is one of the world's leading leisure travel groups, with over 220 trusted brands in 180 countries and more than 30 million customers. The business is grouped into three sectors – Mainstream, Accommodation & Destinations and Specialist & Activity. From popular holiday brands such as *Thomson* and *First Choice* to a collection of specialist travel providers such as *Crystal Ski* and *African Travel Concept*, *TUI* offers the breadth and depth of experiences and expertise for every type of traveller. 5

TUI is a global business, employing approximately 55,000 people and operating in 31 key markets worldwide. The head office is in the UK and *TUI* is listed on the London Stock Exchange as a member of the FTSE 100 and FTSE4Good indices.

(Source: adapted from <http://www.tuitravelpic.com/about-us/at-a-glance#.VH9bkM9yblU>)

(f) Assess the likely benefits to *TUI* of having over 220 brands (Extract C).

(10)

Sample 1

One key benefit is the ability for TUI to spread risk through its diversification into different styles of holiday: Mainstream, accommodation and specialist. By possessing lots of brands, TUI gains a reputation for each brand rather than the group. For example ~~the~~ Crystal & holidays are an established brand who are specialists at providing ~~the~~ quality ski experiences. TUI gains both customers and revenue from existing in that market but also the ability to gain consumer loyalty through the specialised brand. This diversification allows TUI to withstand market shocks from ~~the~~ some market sectors. ~~Example~~

Also, TUI ~~is~~ can delegate ~~responsibility~~ and empower each brand to work more independently so that a better, more tailored customer service approach can be taken, potentially increasing revenue.

However, by spreading itself ~~over~~ over such a wide selection of brands, ~~variable~~ fixed costs will increase due to all the equipment each brand HQ will need such as highly paid managers, ~~and~~ ~~and~~ telecommunications technology and rent. It also becomes harder for TUI to regulate its own company due to a long chain of command. This could lead to unclear direction or conflicts along the chain.

Overall, for such a large company the benefits of spreading risk outweigh the disadvantages.

Sample 2

Having over 220 brands will benefit TUI as it \pounds will spread risk. If TUI only had one or a few brands, all of the profits would be spread amongst a smaller group, meaning each brand would have a greater share of total ~~the~~ revenue. If one of the brands faced problems and went bankrupt then more money will be lost than if just one out of 220 brands went bankrupt. Also it helps spread risk by having brands in 180 countries as if trends change in one country and sales fall then this can be offset by gains experienced in another ~~to~~. In addition, by having ~~a larger~~ ^{220 brands} there is going to be more activity in the business and so TUI will be able to make more profits.

However, by having 220 brands, TUI may not be able to benefit as much from economies of scale, and so ~~AC~~ ^{AC} would not decrease, as there is not as much 'bulk-buying' as there would be if all the business costs were spent by just one brand. Furthermore by having so many brands this will require much organisation by TUI and may distract from the main focus of the business. Similar to this, by having 220 brands TUI may risk losing their own brand identity and fall out of favour with customers.

Mark scheme

(f) Assess the likely benefits to *TUI* of having over 220 brands (Extract C).

(10)

Question Number		Mark
1(f)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • A brand is a recognised trademark or distinctive name identifying a product or a manufacturer which helps increase product differentiation. • <i>TUI</i> has over 220 brands which range from family holidays such as <i>Thomson</i> to <i>Crystal Ski</i>. • Benefits of having a wide range of different branded holidays is that <i>TUI</i> can target different markets and meet customers' differing needs. This increases price inelasticity of demand leading to the possibility of higher prices and revenues as well as increasing barriers to entry. • A range of holidays can be sold to different market segments such as family holidays and activity holidays are aimed at different target audiences, thereby increasing sales. • Having just one single type of holiday brand may not be enough to generate sufficient return such as the market segment for safaris may be too small to earn high profits so having a wide range of brands will help to spread risk and increase profits. • Having a wide range of brands ensures that <i>TUI</i> has a range of holidays at different stages of the product life cycle to ensure that they can always maximise sales and profits without waiting for a new product type of holiday to be developed. • It can help to spread the risk – a decline in one type of brand of holiday, such as <i>Thomson</i> package tours, may be offset by sales of other more specialist holidays such as <i>Crystal Ski</i> holidays or upmarket holidays. • Strong brand images can help to maximise sales and profits by creating brand loyalty and repeat holiday purchases. • However a greater range of holidays and destinations can mean that resources are spread more thinly as <i>TUI</i> will have to market over 220 brands and source different types of hotels and resorts around the world. • <i>TUI</i> may not be able to fully achieve economies of scale if they are offering a smaller number of holidays as the average unit cost may be higher due to supporting 220 brands. • There are many other considerations as to the factors which affect the success of <i>TUI</i> such as the quality of the holiday, ease of booking and competitive pricing of the different holidays which are also important to gain market share, not just the branding. 	

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	<ul style="list-style-type: none"> It will be a combination of choice, quality and value for money which encourages brand loyalty and repeat holiday purchases. 	(10)
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Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–4	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	5–7	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	8–10	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.