

Examiners' Report
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GCE Economics & Business 6EB02 01

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Introduction

Overall performance was good across both sections of the paper with majority of candidates showing a sound grasp of business and economic concepts. Answers suggested that candidates on the whole had been prepared well for this paper with more developed responses in Section A. There appeared to be use of precise Economic and Business terminology throughout rather than generalised comments. Again, the best students demonstrated excellent application of their knowledge to the precise question set, while the weakest students attempted questions from a 'common sense' approach rather than demonstrating any economic and business concepts. The examination paper required candidates to apply their understanding; good students did this well with clear development of points. Examination timing skills appeared to be very good as a whole with the majority of candidates completing all questions fully.

Section A: Supported Multiple Choice Questions

There are a variety of ways to gain marks for part (b) in Section A (Supported Multiple Choice):

1. If responses in part (a) are wrong, then the maximum mark available for part (b) is 2 marks.
2. If a candidate does no more than explain distracters in part (b), then a maximum of 2 is awarded.
3. Some candidates may only explain why their chosen answer is correct and depending upon the quality/development of this answer, can score 3 marks for part (b).
4. Some candidates briefly explain the correct answer followed by explanations as to why the other options are incorrect. This method can gain the candidate 3 marks.

It is essential that candidates develop their answers fully and use the context given in the stem of the question. It is not sufficient enough to simply state that the other options are incorrect candidates should explain **WHY** the distracters are incorrect.

Question 1

On the whole, this question has been answered correctly for part (a) - increase in welfare payments with many candidates defining unemployment in the first instance in order to gain 1 knowledge mark. Many candidates did incorrectly define unemployment or gave vague definitions; examiners were looking for some understanding that people are out of work and/or actively seeking work. Candidates were then able to explain why welfare payments would increase (usually with reference to job seekers allowance) or why rising unemployment would be a problem for the UK government. We did allow 1 mark if the candidate referred to opportunity cost or an implied understanding of this concept as a consequence to the Government of rising unemployment.

(b) Explain your answer.

(3)

unemployment is the about of people actively seeking but unable to find a paying job.

unemployment is bad because the government spends more of welfare benefits and less on other things which cause a opportunity cost

IF people are unemployed they are very unlikely going to demand for higher wages. They are likely to take any job they can get with any demand.

C is also wrong because if less people are working less people will be paying income tax.

(Total for Question 1 = 4 marks)



ResultsPlus Examiner Comments

This candidate started off with a definition of unemployment and as you can see does show that the unemployed are actively seeking work so a clear 1 mark has been given. An additional mark is gained for the reference to opportunity cost. The candidate then does explain distracters B and C. Total 3 marks for part b.



ResultsPlus Examiner Tip

Always start with a definition and explain the correct answer before explaining the incorrect distracters.

Question 2

This has been answered well with most candidates selecting the correct answer in part (a) – discount retailer. Most candidates managed to gain up to 2 marks by explaining why a discount retailer will see a fall in sales by referring to inferior goods and/or negative income elasticity of demand. Many candidates did restrict how many marks they could score for explaining the distracters because they put all of them together (Mercedes car, fashionable clothing, travel agents) and then explained that these would see a rise in sales due to an increase in income in a boom. Better answers used economic and business terminology such as inferior good and income elasticity of demand.

(b) Explain your answer. (3)

A boom is a increase of GDP where business are more likely to expand and grow which also ~~decrease~~ ^{decrease} where you often see an ~~increase~~ ^{decrease} in unemployment so an increase in spending. Discount food retailer and more seen as inferior goods which means in times of a boom more people will have more money to spend which means they are least likely to spend money on inferior goods. Cars Mercedes cars, fashionable clothing and travel agents are more likely to see an increase in sales because they are more luxury goods. As income increase you will see a proportionally bigger increase in quantity demanded.

(Total for Question 2 = 4 marks)



ResultsPlus Examiner Comments

This candidate has scored 3 marks for part (b) by explaining how the increase in GDP is likely to see an increase in spending and that a discount food retailer is likely to be seen as inferior with falling sales. They then explain why the other distracters would see an increase in sales during a boom.



ResultsPlus Examiner Tip

Be careful not to 'lump' all the distracters together as you will only score 1 mark. Instead, fully explain each one separately with a different reason for each.

Question 3

The stem does state that the energy market 'is an oligopoly dominated by a few large companies' so we did not award any marks for a definition of oligopoly. Instead, we allowed 1 knowledge mark for characteristics or features of an oligopoly such as large market share/compete on non-price factors/sell differentiated products. Candidates had to explain fully why there was restricted consumer choice rather than just repeated their answer from part (a). For application, we were looking for references to the energy industry – pipelines, high start-up costs and high barriers to entry as to why there is restricted consumer choice.

3 (a) In the UK, the energy market is an oligopoly dominated by a few large companies such as British Gas, EON and Scottish Power.

This oligopolistic market will **most likely** feature

(1)

- A low barriers to entry
- B restricted consumer choice
- C many buyers and sellers
- D perfect knowledge

Answer

(b) Explain your answer.

(3)

An oligopoly is a market dominated by 3-5 firms they do not compete on price. The answer will be 'B' because in an oligopoly consumers are restricted to what those 3-5 firms are offering as high barriers to entry make it difficult for new ideas to enter the market from different firms. It wouldn't be 'C' because many ~~buyers~~ buyers and sellers is more likely to be seen in a perfect market or a monopolistic market.



ResultsPlus Examiner Comments

This candidate does start off with a definition of an oligopoly but this has been given in the question so cannot gain any marks. They do score 1 mark for the fact they give a characteristic ie they do not compete on price. A further 1 mark was awarded for the explanation of why there will be restricted consumer choice and 1 mark for the explanation of distracter C. Total 3 marks.



ResultsPlus Examiner Tip

Do not just repeat part (a) as to the reasoning for part (b). You must fully explain why that is the correct answer rather than just repeating it.

Question 4

This has been answered well by most candidates for part (a) – prepares resources for possible problems. Many candidates simply repeated their answer from part (a) as their explanation rather than developing it and using the context. Examiners were looking for a full and developed explanation as to why ASDA can prepare for possible problems with reference to such as the impact upon deliveries, suppliers, customers parking, stocking up on grit. However some candidates did use the snow context well to show their understanding of this. We could only award 1 knowledge mark for a definition so we accepted either a definition of business/contingency planning **OR** a definition of uncertainty.

- 4 (a) In winter, ASDA, a UK food retailer has a contingency plan called 'operation snowflake' to keep its car parks clear of snow.

Business planning can help ASDA to reduce uncertainty because it

(1)

- A prepares resources for possible problems
- B reduces the need for market research ✗
- C analyses consumer behaviour ✗
- D can accurately predict the future ✗

Answer A

- (b) Explain your answer.

(3)

A contingency plan is a plan preparing for a set "worst case" scenario. A is correct because it will allow ASDA to foresee problems and buy salt ready for the snow to store for when the event becomes an actuality, thereby reducing risk. D is incorrect because nothing can accurately predict the future, there may not be snow that year. Although a contingency plan reduces risk, it does not predict the future and so does not eliminate risk.



ResultsPlus

Examiner Comments

This response scored 3 marks for part (b). There was a definition of contingency planning and then a fully developed contextual explanation of how ASDA could buy salt in case of the snow. The candidate also appreciated that contingency planning reduces risk but does not fully eliminate it.

Question 5

Most candidates answered part (a) correctly – average costs - but there were very weak/vague definitions of economies of scale. Many candidates did refer to bulk buying or increases in output but they really did not know what economies of scale meant. Many candidates were unable to develop their answers fully. Several candidates scored 2 marks for part (b).

(b) Explain your answer.

(3)

Economies of scale ~~are the~~ is the ability to reduce unit costs as size of the business increases. C is correct as it allows Kraft to buy in larger bulk, reducing cost per unit, and average costs. B is incorrect as although average costs may go down, they could be producing a lot more products, meaning total costs ~~could~~ could rise. A is incorrect as profitability would increase if unit costs decreased, as a larger profit ~~margin~~ margin could be obtained from their products.

(Total for Question 5 = 4 marks)



ResultsPlus
Examiner Comments

This response scored 3 marks for part (b). There was some understanding of bulk buying in terms of reduces average costs as well as explanations of the distracters.

Question 6

This was a nice question which many candidates were able to contextualise to eggs. Many candidates were able to define what was meant by a dynamic market (one which is constantly changing) and then go on to explain why eggs were difficult to change and/or differentiate. Many candidates did put the distracters together to show that these are in fact dynamic markets and/or that laptops and mobile phones are regularly updated with new models.

6 (a) Which of the following markets is **least likely** to be dynamic?

The market for:

(1)

- A Designer clothing
- B Laptop computers
- C Eggs
- D Mobile phones

Answer C

(b) Explain your answer.

(3)

Since eggs are a necessity and there are no close substitutes eggs demand will pretty much remain constant. A dynamic market is when a market a product is in is said to be constantly changing in relation to demand and supply levels. Mobile phones and laptops are very dynamic a technology become out of date quick as the new models are released, the same with close as the is almost a new trend every season.



ResultsPlus
Examiner Comments

This response scored 3 marks for part (b). There was a definition of dynamic market and a clear understanding why eggs are not dynamic, as well as a detailed explanation of the distracters.



ResultsPlus
Examiner Tip

Double check if the question is asking for most or least likely. Many candidates did not and gave the incorrect answer restricting their marks in part (b) to a maximum of 2.

Section B: Application

The specification states:

Apply knowledge and understanding of the specified content to problems and issues arising from both familiar and unfamiliar situations.

This means that a candidate who simply uses the name of the business given in the question is NOT applying as they are required to USE the context from the case study to gain the application marks. In this paper the business in question is Zara. Just using the name Zara is not context - we are looking for references such as clothing industry, textiles, skirts, garments etc in order to gain the application marks. In addition, candidates must USE the information from the case study rather than lifting or copying sections from the Evidence.

Question 7

This question has been answered well by candidates who could explain or define what was meant by a decentralised organisation structure and scored 1 mark for knowledge. Many candidates were able to explain fully the benefits of a decentralised structure to Zara by using the case study material, such as being able to cancel clothing lines which are not selling and, as a result, gain the application and analysis marks. Examiners did not accept the use of the name 'Zara' as application.

7 Explain why a decentralised organisational structure may lead to improved performance for Zara.

A decentralised organisational structure is where power and control are spread out in the company. This means that the leaders in different areas such as the various countries can analyse what is going on in that countries fashion market and make decisions on orders based on this. On a more local scale, it means that the managers of individual stores can make order based on what is selling well. This reduces costs as there is less waste products and so less need for space to store them.



ResultsPlus
Examiner Comments

This candidate scored 4 marks for this response. There was a clear understanding of what was meant by a decentralised structure in context and with development of the consequences to Zara of this organisation structure.



ResultsPlus
Examiner Tip

Analysis marks are awarded for a reason or a cause or a consequence of something, so check responses are developed fully to do just that!

Question 8

This question has also been answered well. Most candidates were able to define barriers to entry and then gave an example of a barrier to gain the 2 knowledge marks. The application marks were gained mainly by candidates linking to brand names of clothing firms and the difficulty in persuading customers to try new clothing ranges. For the analysis marks, examiners were looking for the development of the chosen barrier and how a clothing business might struggle to overcome this.

8 Explain **one** possible barrier for firms planning to enter the UK clothing retailing market.

Barriers to entry is anything that prevents a company from joining the market. One main barrier to entry is the amount of branding the other firms in the market have. This will make it very difficult for new businesses to compete. For example shops like zara and H&M have already been in the market for a number of years which means they have both got a massive branding campaign which means the consumer are more likely to stay loyal to them rather than switches to a new less branding clothing retailer.



ResultsPlus
Examiner Comments

This candidate explained what a barrier to entry was with an example (2 marks for knowledge). They then contextualised their response to H&M as well as showing analysis by the consequences of branding to a new clothing retailer. - Total 4 marks.



ResultsPlus
Examiner Tip

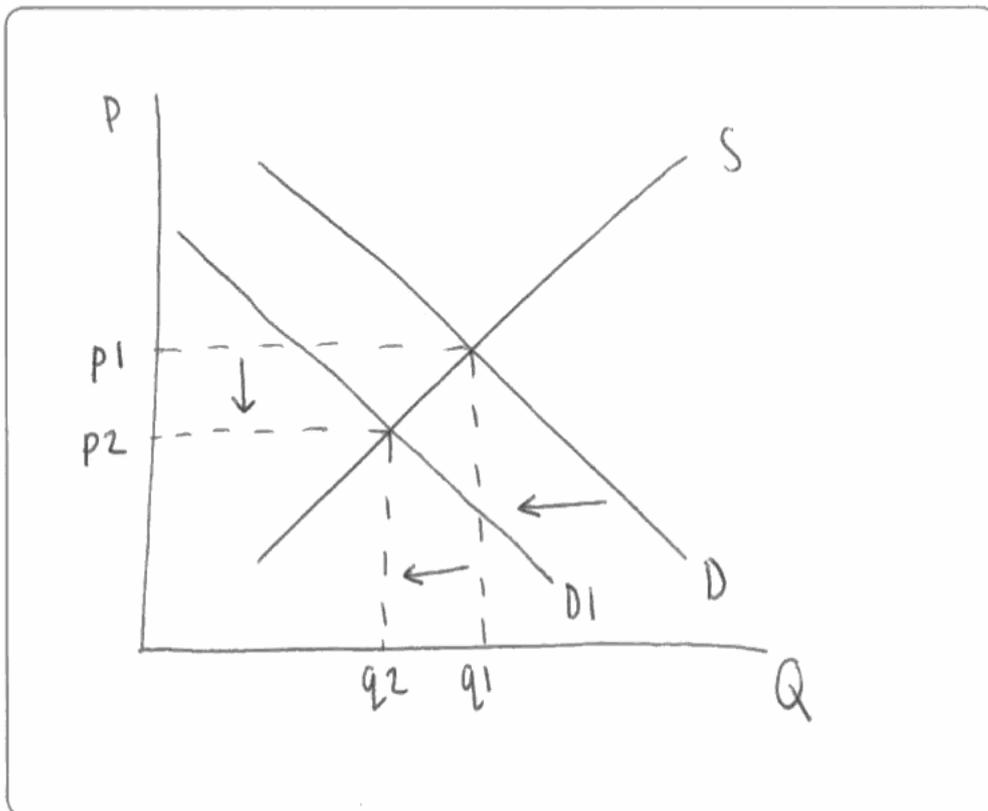
Always define the key economic/business term in the question to gain knowledge marks.

Question 9

This required a supply and demand diagram showing an inward (left) shift of the Demand curve. There were 5 marks for the diagram. If there were any errors in the diagram e.g. not labelling axis then examiners deducted a mark for each error. To be consistent with previous years examiners **only** accepted Price or P and Quantity or Q for the labels on the axis.

The written explanation could get the candidate another 3 marks - split 1 mark for Application and 2 marks for Analysis. For the written explanation we were looking for a contextual answer which clearly explained why there has been a reduction in demand for high street retailers (Application mark). This would cause an inward shift of the demand curve and with supply remaining the same, a fall in equilibrium price and quantity (Analysis mark). More able students gained the other Analysis mark by showing that internet retailing was a substitute to High Street retailers OR that this would lead to falling revenues as $P_1 \times Q_1$ to $P_2 \times Q_2$ OR that in the long term supply would fall as high street retailers exit the market due to increased competition from online stores.

- 9 Using a supply and demand diagram, illustrate and explain the possible effect on the high street clothing market of the increase in online clothing market sales.



Demand is the willingness and ability of a consumer to buy a product or service at any given price. Online marketing would be seen as a substitute to the high street for customers, and as the internet is easier to access, more customers would switch to buying online. An increase in online sales would see the demand for high street retailers shift left causing a decrease as seen by Q_1 moving to Q_2 . Also high streets would be forced to reduce prices in order to stay competitive as seen from the move from P_1 to P_2 .



ResultsPlus
Examiner Comments

This response scored 7 marks in total. This was split with 5 for the diagram and 2 for the written explanation.



ResultsPlus
Examiner Tip

Learn supply and demand diagrams! It is important to be able to draw these accurately with the curves correctly labelled.

Question 10

This was an 8 mark question and we were looking for evaluative responses **in context** in order to access Level 4. Any evaluations not in context were restricted to 6 marks. Analysis not in context was restricted to 5 marks. Many candidates were able to define lean management or an aspect of lean management to get the knowledge marks. For the application marks, examiners were looking for candidates who **used** the case study material rather than those who simply lifted from the evidence ie design, production and retail of clothing rather than just referring to Zara. Many candidates ignored the 'Assess' command word and just wrote one sided answers so were restricted to Level 3. Examiners were looking for development of the consequences - both good and bad for Level 4.

10 Assess the importance of lean management techniques in helping Zara develop a competitive advantage.

Lean management is a method used to increase efficiency of production and minimise wastage, through methods such as Just-In-Time (JIT).

As Zara are shipping fewer units, it suggests that they are using a Just In Time method, meaning stock is ordered as and when it is required. A positive of this is that Zara will not hold stock which will reduce fixed costs as they will not need a warehouse to store clothes. Also as the fashion industry is a dynamic market, customer preferences change quickly, by not holding stock they are reducing wastage of stock which may go out of fashion and no longer sell.

A negative may be that if shipping is prevented in some way, for example a natural disaster occurred where no products could reach the destination then sales would also stop. This may leave Zara with unhappy customers if they cannot receive goods they've ordered which may cause a loss in future sales if they gain a bad reputation as being unreliable.

However, I think lean management is very important to Zara as the fashion market is always changing,

so storing stock in bulk would be wasteful as the
prev. consumer tastes change, decreasing demand for
the products they sell.



ResultsPlus

Examiner Comments

This response scored 7 marks overall. There was clear understanding of lean management techniques in context. Also the positives and negatives for Zara of using these techniques were considered. The examiner gave 7 rather than 8 marks because the negative comment about lean production was not in context (unlike the positives!).



ResultsPlus

Examiner Tip

Assess and Evaluate command words mean that pros/cons or advantages/disadvantages are required in context. In order to score full marks on this type of question, examiners are looking for both sides of the argument to be in context.

Question 11

This was an 8 mark question. Each effect was marked out of 4 and each one marked separately. The assessment objectives for each effect were Knowledge 1, Application 1, Analysis 1 and Evaluation 1. This was an **Assess** question so examiners were looking for evaluation of each effect. Many candidates did **NOT** evaluate so only scored 3 marks per effect. Examiners did not accept the use of 'Zara' as application as this had been given in the question. The examiners were looking for clothing related context such as material, clothing, designs, shirts etc. For analysis, examiners also were looking for a developed response which linked the cheap imports to increased profitability, if Zara maintain sales or more expensive exports to a fall in demand, as clothing might be more expensive to UK consumers.

Many did score Knowledge marks for showing their understanding of exchange rates.

Strong pound means cheap exports dear.

Zara buys raw materials from across the world and produces its clothing at its manufacturing base in Spain. Spain is a member of the Eurozone.

11 Assess **two** possible effects on Zara's business of an appreciation (strengthening) of the Euro against other currencies.

Effect 1 (4)

A strengthening of the Euro means that imports will be cheaper. This means that Zara will benefit from cheaper materials from other countries, allowing them to reduce costs and have a higher profit. When costs are reduced, they could either lower the price of their products, or benefit from higher profit. It allows means that Zara could spend more money on other areas of the business, like research and development.

Effect 2 (4)

Although costs are cheaper, it does mean that exports are more expensive. So when Zara export their product to places like the UK, their clothes will appear more expensive than their competitors products. This could potentially reduce demand for their clothes as cheaper products are more appealing, meaning they could lose some of their

market share. However, one of their biggest competitors, H&M, also produce their clothes in the eurozone area, so they will struggle with the same problem.



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Examiner Comments

Effect 1 scored 3 marks for its analysis in context but there was no evaluation.

Effect 2 scored 4 marks because there was some attempt at evaluation when the candidate stated that H&M might also struggle.

Question 12

The assessment objectives were split: Knowledge 1, Application 2, Analysis 1, and Evaluation 3 for part 12(a) and 12(b). Many candidates were able to write in context and link to the purchasing of clothing online. However, many candidates answered this question from a 'common sense' approach and examiners were looking for economic and business concepts being used such as consumer sovereignty, cost reductions, increased supply, long tail and the impact upon demand.

In order to get into Level 3, there must be a developed consequence (either positive or negative). In order to get into Level 4 there must be an attempt at evaluation (in context) – at least an advantage and a disadvantage as to how online retailing will affect consumers and retailers. For the higher marks in Level 4, examiners were looking for good use of context, economic and business terminology and a conclusion to get 6 or 7 marks.

Candidates who do write in context/use the Evidence and provide a balanced evaluation will always score highly on the last question.

*12 Evaluate how the increase in online clothing retailing might affect:

(a) consumers. — faster - zara - ~~can~~ - shop from home work.
'save time'
— means less jobs available in country at (7)
shops - won't be able to go out.

Consumers are the people who demand products and services and purchase them.

One effect on consumers is the time they can save from online clothes shopping and the convenience of it. As Evidence A shows ASOS sales rose 54% because people find it faster to buy online. It's also possible to do it at work and home and saves the time and expenses of travelling to the shop. There's also a wider range of products to choose from as there's no limits to the size of a website as there is in a shop.

However there can be negative effects for consumers as they may be the people who look for jobs in the high street retail industry and if demand for shops decreases they will ~~more~~ possibly close shops meaning less available jobs, resulting in higher unemployment. The direct effect of closing shops on consumers means if they do want to go into town there will be less available shops. In conclusion, there are benefits of it being faster and more variety, but it could result in unemployment and if consumers don't have internet available then they will have ^{even less} choice.

(b) retailers. — cut cost of shop workers.
UK retail market grown 14% — more money. (7)

Retailers are the shops which keep up with demand from consumers and offers them the products.

One benefit for retailers is they will be able to cut costs and save since there are fewer workers to employ. If they increase online market and decrease high street market they won't have to hire managers and workers for each individual shop and will therefore be able to cut cost from wages and save time, the money could go into R+D to increase development. Their profits should be increasing because evidence B shows 'online retail market has grown 14%'.

However, as more shops go into online shopping it becomes more competitive as consumers are more able to compare prices online and they might not be able to keep up with competition or demand.

In conclusion, retailers will benefit from higher sales and lower costs, but they might also suffer from increase in online retailing the market grew by 22% in 2010 and competition becomes heavier.



ResultsPlus Examiner Comments

This response got 5 marks for 12(a) and 12(b). There was contextualised evaluation so the candidate did get into Level 4.



ResultsPlus Examiner Tip

Always give a conclusion for the longer mark questions and ensure you do not repeat the same points for 12(a) and 12(b).

Paper Summary

There has been a huge improvement in the overall standard of the responses seen this summer and examiners are seeing much better responses for both Section A and Section B.

Based on the performance on this paper, candidates should:

1. Read the SMC carefully in terms of most likely, least likely and except. Many did not spend enough time doing this and consequently misread 'least likely' for 'most likely'.
2. Contextualise responses both in Section A and Section B. This is particularly important for Section B where Level 4 can only be accessed if the response is in context.
3. Pay attention to the command words - Assess and Evaluate are largely ignored and this will restrict marks to Level 3.
4. Use economic and business concepts rather than generic 'common sense' answers.
5. Be able to accurately draw and label a supply and demand diagram. It is still very worrying that many candidates do not know how to correctly label axes and curves.
6. Read and use the Evidence provided - it is there for a reason!
7. Be able to calculate PED and YED.

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