

Student Responses Pack for 18BAB05

Activity 4 – Points-based Marking

9eb-01

1(a)

Sample 1

- 1 Candy Kittens' sales revenue in 2016 was £1.5m. Jamie Laing is planning for an increase in sales revenue of 12% by 2019.

(a) Calculate the planned sales revenue for Candy Kittens in 2019. You are advised to show your working.

(4)

$$\frac{11}{100} = \frac{1,500,000}{100} = 15000$$

$$12\% = 15000 \times 12 = 180000$$

$$£1,500,000 + £180000 = \cancel{£1,680,000} \quad £1,680,000 \text{ by 2019.}$$



P 5 2 3 1 8 R A 0 5 2 8

9eb-01

1(a)

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(4)

~~sales revenue~~ ~~planned sales revenue~~

$$\text{planned sales revenue} = \text{planned sales revenue (\%)} \times \text{sales revenue}$$
$$1,500,000 \times 0.12 = \text{K.A. } 180,000$$

1.20 1,680,000

$$\begin{array}{r} 1500000 \\ + 180000 \\ \hline = 1680000 \text{ million} \end{array}$$

= sales revenue



P 5 2 3 1 8 R A 0 5 2 8

9eb0-01
1(b)
Sample 1

According to a new report, confectionery sales in the UK are predicted to grow, despite fears about the high levels of sugar in sweets. (Extract A)

(b) Explain **one** external cost caused by the consumption of sweets.

(4)

External costs are costs that affect the seller and not third parties.

An external cost caused by the consumption of sweets would be that if consumers consumed more sweets their health risks would increase lowering life expectancy which would mean ~~people with be unable to~~ ~~mean a sweet producers such as Candy~~ ~~killers work~~ leading to less productivity.



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(4)

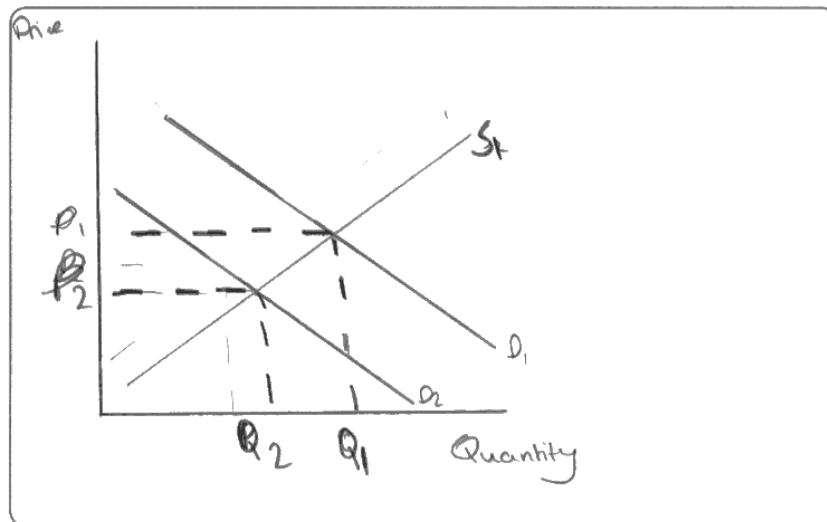
An external cost is a negative impact on ~~the~~ a third party. A third party involved in the increased consumption of sweets is the NHS because the ~~per-~~ more consumers that consume these highly sugary sweets ~~will~~ could cause an impact on their health and economically could increase obesity levels, which means more people will be attending hospital for appointments about ^{e.g.} gastric bands or surgery, in comparison to the NHS expenditure being spent on improvements in cancer research.



- (d) Research suggests that the biggest growth barrier for UK start-up firms is the UK tax system. (Extract C)

Using a supply and demand diagram, analyse the likely impact on the UK confectionery market of an increase in indirect taxes.

(6)



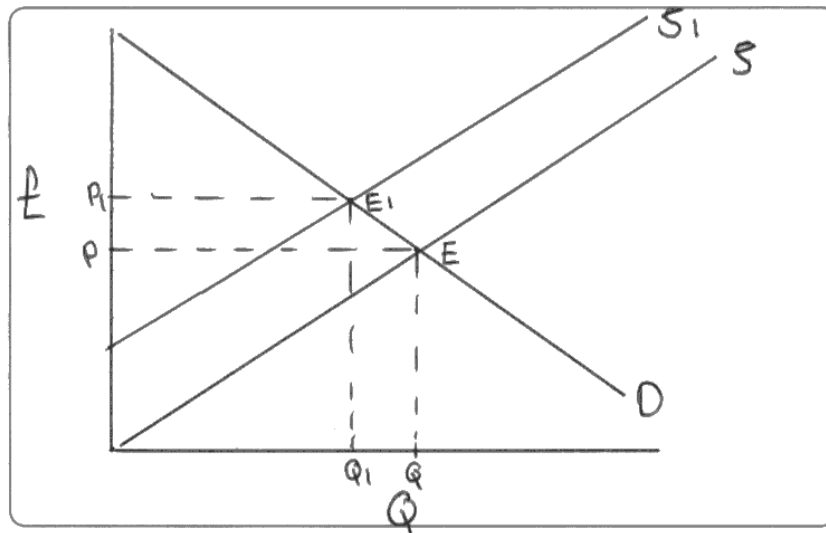
The diagram above shows that as indirect taxes increase the demand curve shifts to the left showing that demand falls. This also results in a fall in price. This is because an increase in indirect taxes leaves consumers with less disposable income and therefore less spending on non-essential goods such as confectionery leading to a decrease in price for confectionery as well as demand.



- (d) Research suggests that the biggest growth barrier for UK start-up firms is the UK tax system. (Extract C)

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(6)



The supply and demand diagram illustrates a shift of the supply curve to the left, showing a reduction in supply. This moves Q to Q_1 showing a reduction in quantity supplied as confectionery firms are experiencing an increase in indirect taxes as P has moved to P_1 . Therefore businesses in the confectionery market such as Candy Kitchens will be less willing to supply the market as costs have increased meaning that profitability is likely to fall, and the profit signalling mechanism has reduced. However firms could rely prices on to the consumer but PED of the brand and type of confectionery must be considered, as sales and demand for products may fall if there are suitable substitutes.



Activity 5 - Levels- based Marking

9EB-03

1(a)
Sample 1

1 (a) Using Extract A, discuss the use of HDI as an indicator of growth.

(8)

To a large extent HDI can be a good indicator of growth, as it shows things such as how developed health care and education is. If the HDI of a country such as India increases over time, it suggests these things are improving, which could be an indication of growth in that country, as previously India may not have had the money to fund education and healthcare, whereas if the economy is growing, there may now be the funds.

However, alone HDI may not be a good indicator of growth as it doesn't show inequality in a country. Although a country may have a high HDI, for example Japan, there may be areas of poverty and low HDI, which can't be ~~seen~~ seen just by looking at an overall HDI number. This means that it may not be an accurate measure of growth overall in a country.

[Signature]



Sample 2

1 (a) Using Extract A, discuss the use of HDI as an indicator of growth.

(8)

HDI could be argued to be a good indicator of growth. HDI uses GDP per capita, literacy rate and life expectancy in order to come up with a number, with 2.0 normally stated as being a developed nation. HDI could be argued to be a good indicator of growth as it combines average income, health and education statistics. This could be argued to ~~show~~ ^{be} a good indicator of growth as GDP per capita rises so will the growth of the country as well as the ^{nations} HDI and therefore could be argued to be a good indicator of growth as the country gains a higher GDP per capita, HDI should increase.

HDI could be argued to be a bad indicator of growth and instead a better indicator of poverty. For example China and India are two of the fastest growing nations in terms of growth, however India has the lowest HDI of 0.609 and China has the fourth lowest of 0.727. Contrasted with the UK which has ^{slow} steady growth; less than China and India and has a HDI of 0.907, the fifth highest on the G20. Therefore it could be argued that although GDP per capita can be argued to be a good indicator of growth, literacy rate and life expectancy ~~+~~ could be argued to be a better indicator of poverty as an increase in growth doesn't necessarily mean an increase in health + education and for emerging economies ^{such as Brazil} with high rates of growth, but not as good health/education services as developed economies, their HDI



isn't a true representation of their HDI and could be argued to show HDI isn't a good indicator of growth

as well as improvements in literacy rate and life expectancy showing an increase in standards of living which could arise as a result of growth

■ Such as Germany for example with a HDI of 0.916.



P 5 2 3 2 1 A 0 7 2 8

(b) Assess the importance of transport and communication to the increase in globalisation over the last 50 years.

(10)

In some ways, transport and communication have been crucial to the increase in globalisation over the last 50 years. This is because both transport & communication have become more efficient, leading to the "death of distance". With firms being able to use storage containers, trading via ports has become quicker and the technological improvements to communication have allowed for greater communication between firms. Together, this has allowed for firms to buy & sell their goods faster, increasing trade and boosting globalisation.

In other ways, transport and communication are not the most important factors increasing globalisation. Over the last 50 years, there has been a large global shift towards open markets and neo-liberalism. With the collapse of the Eastern block and many western economies liberalising their markets, the ease of doing trade has also increased. This has allowed for businesses to move freely between nations, trading with far fewer barriers. This has also caused globalisation to boom.

Overall, transport and communication have been crucial to the increase in globalisation as the ease of doing business has improved and there has been an increase in cultural hegemony across the world as well. This has led to globalisation.



(b) Assess the importance of transport and communication to the increase in globalisation over the last 50 years.

(10)

It could be argued that transport and communication are to a large extent ~~an~~ important to the increase in globalisation over the last 50 years. Improvements, such as in extract B, where Malcom P. McLean improved the efficiency and speed of transport by using a steamship and containers to transport goods. It could be argued that this reduced costs of exporting, ~~and an increase~~ as more goods can be transported per journey (reducing costs) as well as the steamship being able to do less journeys for example than the same equivalent amount of goods in a truck (also decreases fuel and transportation costs) as well as delivering the goods more quickly. This could be argued to be of huge importance to an increase in globalisation over the last 50 years as improvements in transport and communication have become more efficient, cheaper and quicker and could be said to have made globalisation cheaper and more attractive and increased the rate of globalisation over the last 50 years as a result of transport and communication.

It could be argued that transport and communication are to a small extent important to the increase in globalisation over the last 50 years. It could be argued that transport and communication are of little importance and instead the import factor in the increase in globalisation over the last 50 years is big multi national corporations (MNCs) and their aim to maximise profits. For



example big MNCs such as Cadbury's will aim to reduce their costs as much as possible in order to reduce prices, stay as competitive as they can and gain as much market share as possible in order to dictate the prices in the market and ~~increase~~ maximise profits. Therefore if Cadbury's move stages of production such as making the chocolate in Africa for example, a developing nation, the cheaper labour costs, goods of raw material such as cocoa beans and the potentially lower environmental laws and regulations can help Cadbury's to reduce their labour costs, transportation costs and production costs which can allow them to reduce ^{the price of their} goods, ~~at~~ increase demand and sales and profit margins as a result of globalisation and could be argued that MNCs are important in the increase in globalisation over the last 50 years.

Overall, although MNCs play a part in the increase in globalisation over the last 50 years I believe transport and communication are the most important factors. As a result of increased efficiency in transporting goods and lower costs, this has made globalisation and world trade become more appealing to companies/nations.



P 5 2 3 2 1 A 0 9 2 8

9EB-03
2 (c)
Sample 1

(c) Assess Hero Cycles' decision to open its Global Design Centre in Manchester.

(12)

Hero Cycles is an Indian MNC, exporting millions of bicycles around the world. To a large extent, however, it was a beneficial decision to open the design centre in Manchester. Hero Cycles has major expansion plans for Europe. By moving into a big city where cycling is popular, they will be able to learn about the market. Different markets have different needs, and the best way to get a better understanding of the needs is to surround yourself with it. Locating the global design centre in Manchester would allow the company to design bikes much better suited to the target market, as they will have more knowledge. Hero Cycles are working to create 'differentiated' products. However, to some extent, expanding to the UK could be risky. The global design centre cost £2 million and is a huge investment with the UK recently announcing Brexit, this may not be the best decision. Brexit leaves large amounts of uncertainty on things ^{including} ~~the~~ trade. ~~the~~ Hero Cycles do not know ~~how the~~ what the business's future looks like in the UK, post-Brexit. Although, opening in Manchester was potentially a good choice. Manchester has the biggest student



population of any city in Europe. Students are an ideal target market for bicycle companies. A large proportion cannot afford a car as their way of transport. ~~the~~ meaning bikes may be a cheaper alternative. This could get Hero cycles many sales. Manchester is also popular for cyclists as it holds a national velodrome. Hero cycles have located here this, suggesting they will be a popular company in the city. Great Britain accounts for 17% of bicycle sales in the EU.

[#] In conclusion, Manchester was an ideal city to locate in however it depends on the agreements to trade etc post Brexit as to whether the decision was right.

[#] However, Boris Johnson promised tariff free imports of Indian bikes to the UK after Brexit, before there was 14%. This will make it much cheaper for the Indian company to sell their bikes to the UK. It was extremely expensive to open the G.D.C in Manchester. Staying in India may have been a cheaper option.



P 5 2 3 2 1 A 0 2 3 2 8

(c) Assess Hero Cycles' decision to open its Global Design Centre in Manchester.

In some ways, Hero Cycles' decision to base its global design centre in Manchester has wise. As Boris Johnson has promised free imports on Indian bikes post-Brexit, establishing a design centre in Manchester could help Hero maximise sales in the long run. By having a centre in the UK as opposed to Amsterdam or Berlin, Hero Cycles can avoid common external tariffs put in place by the EU and import goods from India without having to pay a large tariff. As a result, the price of their bikes stays down and more affordable to consumers. In addition to this, the government may provide assistance to the centre as there is a dedicated effort by the government to cycle short journeys. In order to achieve this, the government may provide aid to Hero that might not be available in Berlin or Amsterdam.⁽¹²⁾

On the other hand, Manchester may not be the best location for the centre. This is because Hero aim to expand in Europe, which makes the decision to establish in a country leaving the EU rather strange. In order to effectively expand in Europe, Hero may be better off establishing in Berlin, as the German market for bikes is Europe's largest and Berlin will have access to the EU market whereas Manchester might not.



Overall, the decision to base the centre in Manchester is a good one. As the city will be used to design products, what place is better for decision than the home of the Olympic champions in cycling and pioneers of marginal gains theory. If all possible resources are used, Hero's venture in Manchester may prove effective.



P 5 2 3 2 1 A 0 2 3 2 8

(d) Evaluate the extent to which *Hero Cycles* should adapt its marketing strategy for global markets.

(20)

It could be argued that *Hero Cycles* should to a large extent *Hero Cycles* should adapt its marketing strategy for global markets. Being Polycentric is adapting your product to ~~every different culture~~ make it appeal in every different market/culture. Adapting its marketing strategy such as *Hero's* supplying *Viking* and *Coyote* bicycles to bring out a child's brand, mountain bike brand, tandems, electric bikes and others. This adaptive marketing strategy for global markets, such as holding the dominant position in the rapidly growing premium segment. This allows *Hero* to target all age different age range and price ranges and allows them to reach a larger audience for their product. This could see an increase in demand for their product as they are more appeal to a wider range of consumer and could lead to high demand, sales and profits for their product as a result of adapting its marketing strategy for global markets.

It could be argued that *Hero Cycles* to a small extent should adapt its marketing strategy for global markets. Adapting market strategies could be expensive as they constantly have to pay to change their product (manufacturing process) and change their marketing strategy, both of which increase costs and could potentially lower profits as being adaptive costs more and if these costs don't outweigh demand/sales being adaptive could see *Hero Cycles*



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It could be argued that Hero Cycles to a small extent should adapt its marketing strategy for global markets. Adapting market strategies could be expensive as they constantly have to pay to change their product (manufacturing process) and change their marketing strategy, both of which increase costs and could potentially lower profits as being adaptive costs more and if these costs don't outweigh demand/sales being adaptive could see Hero Cycles



lose profits as a result.

Another positive for Hero cycles for adopting its marketing strategy for global markets is this could allow them to gain more of the global market share. Gaining market share allows you to become more competitive and to potentially be price makers rather than price takers. This ^{could} allow them to increase their prices as they ~~might~~ may not be in price competitive and their brand loyalty/high quality as a result of a high market share could see them increase their sales and market share as a result.



P 5 2 3 2 1 A 0 2 5 2 8

9EB-03
2 (d)
Sample 2

polycentric ethnocentric

(d) Evaluate the extent to which Hero Cycles should adapt its marketing strategy for global markets.

(20)

To a large extent Hero Cycles should adapt its marketing strategy for global markets because it could increase demand. For example Hero Cycles could move in a polycentric or ethnocentric way and adapt marketing for global markets. This could increase demand as it may make their products accessible to wider markets like global niche and mass markets because its marketing strategy could make them more appealing. For example Hero Cycles are creating differentiated products to appeal to different European markets, therefore this differentiation could reflect in geographic marketing as marketing differently to places like Amsterdam where cycling is extremely popular could gain new market share there.

Another point for Hero Cycles of adapting marketing strategy for global markets could be that it could give them competitive advantage in global markets. As a marketing strategy to target global markets could make them more noticeable to consumers for example through TV adverts or billboards, therefore consumers may notice them more than competitors, giving them competitive advantage. As they sell to major UK retailers such as Argos and Tesco, marketing strategy could lead to this impact abroad and help give Hero Cycles competitive advantage.



However to a smaller extent Hero cycles should not adapt its marketing strategy for global markets because of the cost. Polycentric or geocentric marketing can have high costs because of research into markets and then developing the marketing mix for each, for example. This could be extremely high cost for Hero cycles and may be a risk because of the uncertainty of entering global markets. For example Germany has a percentage share of 21% of EU bike sales therefore the market here may be fully saturated for bicycles. This could mean that developing a marketing strategy for Germany may be an inefficient use of resources and a risk as they may not stand out among the market because of market saturation.

Another negative of adapting market strategy for global markets for Hero cycles could be the nature of the product and market. As a lot of their bicycles may be aimed at a global niche market, mass market advertising for example may be inefficient. Hero cycles could make use of the digital economy instead for example and use social media. As this may be a more cost efficient way to market their products to the global niche. As such high volumes of bicycles are sold particularly in the EU. For example Germany sold 535,000 units in 2015, indicating that a global niche market may be perfect for bicycles because the market is so saturated and in high demand. Therefore more smaller scale



marketing may be required like social media. Reducing the need for the cycle to differentiate.

Overall the cycle may need to adapt marketing strategy for global market however it depends on their global target market and the market where they wish to gain.

As large scale marketing may be inefficient and costly without adaptation the becoming geo-centric.

(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS

