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# Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCE  
In Economics & Business Studies (6EB02)  
Unit 2: Business Economics

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

## Section A Mark Scheme

**NOTE: If part (a) of the question is INCORRECT, then a maximum of 2 marks can be awarded for part (b)**

Question Number	Question	Marks
<b>1(a)</b>	Answer: C (Nissan has a trained and skilled labour force.)	1
<b>1(b)</b>	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Definition of productively efficient e.g. producing goods and services for the lowest cost (1 mark)</li> <li>• A skilled labour force will be better/faster at their job (1)</li> <li>• And therefore may produce more cars /per shift (1)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>• A is wrong because if the technology had not changed in 25 years, Nissan may have fallen behind other manufacturers (1)</li> <li>• B is wrong because high labour turnover reduces productivity as new staff have to be trained and this is time consuming (1)</li> <li>• D is wrong as higher borrowing costs may make Nissan less inclined to invest (1)</li> </ul> <p><b>Any acceptable answer which shows selective knowledge/understanding/application and/or development</b></p> <p><b>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation</b></p>	<p>1-3 marks</p> <p><b>(Total 4)</b></p>

Question Number		Marks
<b>2(a)</b>	Answer: D (-2.0)	1
<b>2(b)</b>	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Definition of PED e.g. measures the responsiveness of demand to changes in price</li> </ul> <p><b>OR</b> gives formula:</p> $\text{PED} = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}} \quad (1)$ <p style="margin-left: 40px;">+50% (1) = -2.0 -25% (1)</p> <p><b>Any acceptable answer which shows selective knowledge/application and/or development</b></p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p>1-3 marks</p> <p><b>(Total 4)</b></p>

Question Number		Marks
<b>3(a)</b>	Answer: B (Staff hours are related to the level of demand)	1
<b>3(b)</b>	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Flexible working can mean being prepared to take on a number of different tasks OR being willing to work irregular hours, part-time or temporarily (1)</li> <li>• The Kingston Hotel may need more/less staff at some times than at others due to peaks and troughs in demand (1)</li> <li>• Therefore the number of staff and/or the hours worked by staff will match the demand (1)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>• A is wrong as flexible working requires an agreement between the hotel and staff. If staff choose their own hours there may be gaps in provision (1)</li> <li>• C is wrong as the hotel needs to make it clear to staff in advance what their hourly rate of pay is (1)</li> <li>• D is wrong as this is the opposite of flexible working. There is no account of the level of demand for the hotel's services (1)</li> </ul> <p><b>Any acceptable answer which shows selective knowledge/understanding/application and/or development</b></p> <p><b>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation</b></p>	<p>1-3 marks</p> <p><b>(Total 4)</b></p>

Question Number		Marks
<b>4(a)</b>	Answer: C (competition)	1
<b>4(b)</b>	<p><b>Explain why this answer is correct</b></p> <ul style="list-style-type: none"> <li>• Definition of barrier to entry e.g. A barrier to entry is anything that will prevent other firms entering (1 mark)</li> <li>• They may take the form of brand names, economies of scale, patents (1 mark)</li> <li>• Therefore by making entry harder the barriers will restrict the degree of competition present in a market (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>• A is wrong because costs are likely to be high as the amount of start-up capital needed to set up the network will be extensive (1 mark)</li> <li>• B is wrong because prices are likely to be high due to a lack of competition from mobile phone companies (1 mark)</li> <li>• D is wrong because there is likely to be high profitability due to high prices and lack of competition (1 mark)</li> </ul> <p><b>Any acceptable answer which shows selective knowledge/application and/or development</b></p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p>1-3 marks</p> <p><b>(Total 4)</b></p>

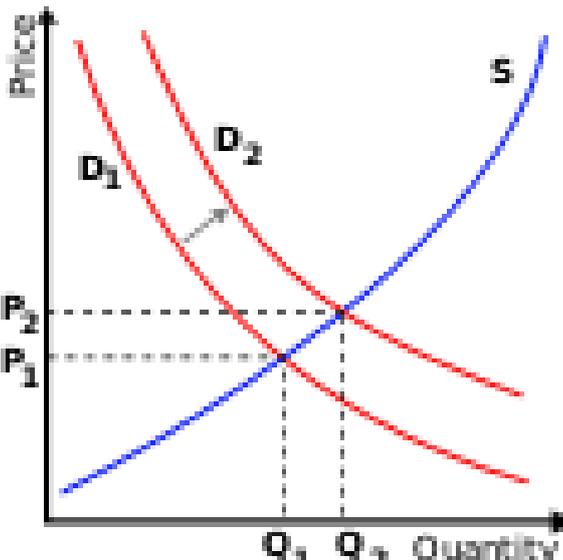
Question Number	Question	Marks
<b>5(a)</b>	Answer: A (reducing its product development lead time)	1
<b>5(b)</b>	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Product development lead time (pdlt) refers to the length of time between the first emergence of the product concept and its launch on to the market (1)</li> <li>• The iPhone market is highly competitive and customers like to have the latest model (1)</li> <li>• By reducing the pdlt Apple can stay ahead of its rivals by getting a new iPhone model on to the market before competitors (1)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>• B is wrong because reducing Apple’s retail outlets could lead to fewer opportunities for sales (1)</li> <li>• C is wrong as reducing the number of apps available for the iPhone may lead to reduced demand if rivals provide more apps (1)</li> <li>• D is wrong as reducing the amount spent on R &amp; D may allow competitors’ products to become more innovative (1)</li> </ul> <p><b>Any acceptable answer which shows selective knowledge/understanding/application and/or development</b></p> <p><b>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation</b></p>	<p>1-3 marks</p> <p><b>(Total 4)</b></p>

Question Number		Marks
<b>6(a)</b>	Answer: D (number of British tourists visiting the USA)	1
<b>6(b)</b>	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Definition of depreciation e.g. when one currency is becoming worth less against another currency (1 mark)</li> <li>• This makes a holiday in America more expensive for British tourists (1 mark)</li> <li>• Therefore less British tourists are likely to visit the USA than before due to less purchasing power (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>• A is wrong because American tourists will be able to buy more goods in the UK as they receive more pounds sterling for their dollar (1 mark)</li> <li>• B is wrong because German tourists are unaffected by any change in the £/\$ exchange rate as they use the euro against the dollar (1 mark)</li> <li>• C is wrong because an exporter of British shoes will see an increase in sales of shoes as less dollars are needed to be exchanged to purchase the shoes (1 mark)</li> </ul> <p><b>Any acceptable answer which shows selective knowledge/application and/or development</b></p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p>1-3 marks</p> <p><b>(Total 4)</b></p>

## Section B Mark Scheme

Question Number	Question	
7	Explain <b>one</b> possible benefit for JD Sports of operating in a niche market.	4 marks
	Answer	Mark
	<p style="text-align: center;"><b>(Knowledge 2, Application, 1, Analysis 1)</b></p> <p><b>Knowledge/understanding:</b> up to 1 mark for defining or showing understanding of what is meant by niche market e.g. a smaller segment of a market (1 mark)</p> <p><b>AND</b></p> <p>Giving a benefit e.g. higher prices/less competition/brand loyalty (1 mark)</p> <p><b>Application:</b> 1 mark for contextual answers e.g. JD Sports can charge a premium price for its sporting fashion wear such as Adidas/Nike (1 mark)</p> <p><b>Analysis:</b> 1 mark is available for giving a reason/cause/consequence e.g. this may lead to JD Sports being able to maximise profits as the higher prices will more than cover costs/increase profitability (1 mark)</p>	<p>1-2</p> <p>1</p> <p>1</p> <p><b>(Total 4)</b></p>

Question Number	Question	
8	Explain <b>one</b> reason why the sporting fashion wear market may be described as dynamic.	4 marks
	Answer	Mark
	<p style="text-align: center;"><b>(Knowledge 2, Application 1, Analysis 1)</b></p> <p><b>Knowledge/understanding:</b> 1 mark for defining or showing understanding of what is meant by dynamic market e.g. where supply/demand is constantly changing in nature (1 mark)</p> <p><b>AND</b></p> <p>Giving a reason e.g. many products are changing due to changing consumer tastes/changes in fashion (1 mark)</p> <p><b>Application:</b> 1 mark for contextual answers e.g. sporting fashion such as Armani EA7 wear may change according to different trends/seasonal factors such as summer (1 mark)</p> <p><b>Analysis:</b> 1 mark is available for giving a reason/cause/consequence e.g. this may lead to sports retailers regularly adapting the sporting clothing which they offer in their retail outlets (1 mark)</p>	<p style="text-align: center;">1-2</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;"><b>(Total 4)</b></p>

Question Number	Question	
9	Using a fully labelled supply and demand diagram, explain the possible impact on the UK sporting fashion wear market of people taking part in sport into middle and old age.	8 marks
Answer		Mark
<b>(Knowledge 3, Application 3, Analysis 2)</b>		
<p><b>Diagram: 5 marks</b></p> <p>There should be a supply and demand diagram showing:</p>		
<ul style="list-style-type: none"> <li>• Correct labelling of axes (1 mark)</li> <li>• Supply and demand curves drawn correctly (1 mark)</li> <li>• Initial equilibrium shown (1 mark)</li>   <li>• Shift in demand curve to the right (1 mark)</li> <li>• New equilibrium correctly showing increase in price and quantity (1 mark)</li> </ul>		
<p><b>Written Explanation: 3 marks</b></p>		
<p><b>Analysis: up to 3 marks</b></p>		
<p>The price has risen due to an increase in demand from changes in consumer tastes for sport (1 mark). With supply remaining the same (1 mark), this has forced up the equilibrium price for sporting fashion clothing (1 mark)</p>		
<p><b>NB: A total of 5 marks are available for the correct diagram:</b></p>		
<p><b>Correct diagram shifting the demand curve right</b></p>		
		
		<b>(Total 8)</b>

Question Number	Question		
10	Assess the likely impact of an increase in unemployment on JD Sports' sales.		8 marks
Level	Mark	Descriptor	Possible Content
1	1-2	Available for knowledge such as identifying what is meant by unemployment	e.g. the number of people willing and able to work but out of work
2	3-4	Available for contextualising the response by JD Sports	e.g. JD Sports sells branded sports products such as Adidas and Nike and has a wide range of customers across a range of sports
3	5-6	Available for considering the impact of an increase in unemployment on JD Sports  <b>N.B. Analysis not in context award 5 marks</b>	e.g. demand for luxury Nike sports trainers may fall as unemployed consumers can no longer afford these products as their income falls  e.g. demand for income elastic sports products may fall during high periods of unemployment as consumers may switch to cheaper sports brands if their income declines
4	7-8	Available for providing balance e.g. showing the impact of an increase in unemployment on JD Sports  <b>Evaluation:</b> Not in context, restrict to top Level 3 – 6 marks  Award 7 marks if <b>one side only</b> is in context  Award 8 marks for <b>both sides</b> in context	e.g. JD Sports may be relatively unaffected by an increase in unemployment as the business targets upmarket niches who may be brand loyal to designer sports brands as Evidence A states its customers tend to be young and the brands they wear are important to them  e.g. the impact depends upon the extent/nature of the increase in unemployment and how long the increase is for

Question Number	Question		
11	Evaluate the use of market research in reducing uncertainty for JD Sports when expanding in the European market.		8 marks
Level	Mark	Descriptor	Possible Content
1	1-2	Available for knowledge such as identifying what is meant by market research	e.g. there are 2 types of market research - primary and secondary, surveys, consumer panels  e.g. Businesses carry out market research to find out who their target market is
2	3-4	Available for contextualising the response by referring to JD Sports	e.g. JD Sports are expanding into several new European countries such as Spain and France  e.g. JD Sports will need to find out what sports clothing to stock in its stores, both in the UK and abroad
3	5-6	Available for considering the use of market research in reducing uncertainty for JD Sports when expanding into the European market  <b>N.B. Analysis not in context award 5 marks</b>	e.g. market research can identify gaps in the market and what types of sporting clothing are preferred in different countries  e.g. market research can help reduce uncertainty in terms of finding out what type of sports clothing is demanded and so can help to reduce risk of overstocking certain items
4	7-8	Available for providing balance e.g. showing how market research may not help to reduce uncertainty  <b>Evaluation:</b> Not in context, restrict to top Level 3 – 6 marks  Award 7 marks if <b>one side only</b> is in context  Award 8 marks for <b>both sides</b> in context	e.g. market research can be very expensive in terms of cost and the effectiveness of the results depends upon the quality of the market research carried out as well as the type, sample size  e.g. Does not always reduce uncertainty as results may be biased or not representative.  e.g. Other economic factors should also be considered e.g. business planning, macroeconomic indicators

Question Number	Question		
*12	Evaluate <b>two</b> possible strategies Millets might adopt in order to become profitable again. <b>Per strategy: (1 Knowledge, 2 Application, 1 Analysis, 3 Evaluation) x 2</b>		
Level	Mark per way	Descriptor	Possible Content
1	1	<p>Knowledge must be present. Some awareness of what is meant by profit/strategies to increase profit</p> <p><i>QWC: To achieve a mark of 1 the candidate will have struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing.</i></p>	<p>e.g. profit is the difference between revenues and costs</p> <p>e.g. advertise, pricing strategies, product development, quality, cutting prices, focusing on service, diversify, cutting costs, sales promotions, other distribution channels, mergers, use of JIT</p>
2	2-3	<p>Application must be present, i.e. the answer must be contextualised by referring to Millets</p> <p><b>Low Level 2: 2 marks</b> Just a simple reference to the context</p> <p><b>High Level 2: 3 marks</b> A specific reference to the context</p> <p><i>QWC: To achieve a mark of 2-3 the candidate will use some business terms but the style of writing could be better / there will be some errors in spg / the legibility of the text could have been better in places.</i></p>	<p>e.g. Millets could increase sales revenue by advertising their range of outdoor equipment on a wide range of media</p> <p>e.g. Millets could try and reduce the costs of running the 98 retail outlets</p>

3	4	<p>Analysis must be present, i.e. the candidate must give reasons/ causes/ consequences of the proposed strategy for Millets</p> <p><b>Answers will be one sided and need not be in context</b></p> <p><i>QWC: To achieve a mark of 4 the candidate will use business terminology well/style of writing is appropriate to the question/ reasonable to good spg</i></p>	<p>e.g. Offering more affordable outdoor equipment should increase demand because consumers are seeking value for money</p> <p>e.g. advertising campaigns can raise awareness of Millets and can be used in conjunction with its online presence, which is much cheaper than advertising on mass media.</p> <p>e.g. diversifying into outdoor camping equipment may lead to premium prices and higher market share because it appeals to a new market segment</p>
4	5-7	<p><b>Low Level 4: 5 marks. Evaluation must be present and in context on one side,</b> i.e. the candidate must present an argument for how these strategies may not be effective for Millet</p> <p><b>High Level 4: 6-7 marks</b> A convincing and balanced answer throughout making good use of concepts and terminology.</p> <p><b>N.B. A mark of 5 is awarded when only one side is in context; award 6-7 marks for both sides in context</b></p> <p><i>Assessment for QWC: The candidate will use business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p>	<p>e.g. Cutting costs through redundancies is a quick way to reduce costs but may cause motivational problems for remaining Millet's employees reducing the effectiveness of their customer service</p> <p>e.g. Cutting prices may increase sales but may reduce profit margins so Millets may have to sell more items and this could have a negative impact on the quality perceptions of Millets.</p> <p>e.g. Advertising may increase demand and awareness of the Millets outdoor products but has an opportunity cost associated with it.</p> <p>e.g. Diversifying into high end equipment may be a risky and expensive strategy and is targeting a different market to its original target market</p>

