

**INTERNATIONAL ADVANCED LEVEL**

# **BUSINESS**

## **Exemplars with examiner commentaries Unit 1 (WBS11)**

Pearson Edexcel International Advanced Subsidiary Level in Business (XBS11)

Pearson Edexcel International Advanced Level in Business (YBS11)



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# Introduction

## 1.1 About this booklet

This booklet has been produced to support teachers delivering the Pearson Edexcel International Advanced Level in Business specification. Unit WBS11 exemplar materials will enable teachers to guide their students in the application of knowledge and skills required to successfully complete this course. The booklet looks at questions 1-3 from the June 2019 examination series, showing real candidate responses to questions and how examiners have applied the mark schemes to demonstrate how student responses should be marked.

## 1.2 How to use this booklet

Each example covered in this booklet contains:

- Question
- Mark scheme
- Exemplar responses for the selected question
- Example of the marker grading decision based on the mark scheme, accompanied by examiner commentary including the rationale for the decision and where relevant, guidance on how the answer can be improved to earn more marks.

The examples highlight the achievement of the assessment objectives at lower to higher levels of candidate responses.

Centres should use this content to support their internal assessment of students and incorporate examination skills into the delivery of the specification.

## 1.3 Further support

A range of materials are available from the Pearson qualifications website to support you in planning and delivering this specification.

Centres may find it beneficial to review this document in conjunction with the Examiner's Report and other assessment and support materials available on [the Pearson Qualifications website](#).

## Question 1(a)

Define the term 'qualitative research'. (Extract A, line 7)

(2)

### Mark scheme

Marks

#### 1(a) Knowledge 2

(2)

Up to 2 marks for defining the term 'qualitative research', e.g. Market research collected **(1)** relating to the opinions and beliefs of consumers **(1)**.

### Exemplar response A

Qualitative research refers to the research on attitudes, beliefs and intentions of customers. This research can be done through interviews or focus groups.

#### Examiner's comments:

**This response was given 2 marks.**

It is a very good match to the mark scheme indicative response and achieves the 2 available knowledge marks. Refers to 'attitudes, beliefs and intentions' (1 mark), showing knowledge of what qualitative research is and being 'done through interviews or focus groups' (1 mark) to demonstrate knowledge of the collection of the research.

**Tip:** Remember the definition does not have to match exactly to the mark scheme but it must show good accurate knowledge and understanding of the term.

### Exemplar response B

This is a form of primary research which takes into account people's views, opinions and feelings.

#### Examiner's comments:

**This response was given 1 mark.**

This response shows knowledge of qualitative research with reference to views, opinions and feelings (1 mark). The response needs to provide some further knowledge of collection for the second mark.

## Question 1(b)

Calculate the price elasticity of demand (PED) for a *Superdry* t-shirt if the price decreases by 10% and sales increase from 120,000 to 150,000. You are advised to show your working. (4)

### Mark scheme

#### Knowledge 1, Application 2, Analysis 1

Quantitative skills assessed:

**QS2:** calculate, use and understand percentages and percentage changes

**QS7:** interpret values of price and income elasticity of demand.

#### Knowledge

1 mark for identifying the formula for PED:

- % change in quantity demanded / % change in price (1).

#### Application

Up to 2 marks for selecting the correct data:

- $150,000 - 120,000 / 120,000 = 25\%$  (1) /  $-10\%$  (1).

#### Analysis

1 mark for calculating the price elasticity of demand:

- $-2.5$  (1).

**NB: Award 4 marks for correct answer -2.5**

**Award 3 marks for 2.5**

### Exemplar response A

$$\begin{aligned} \text{Price elasticity of demand} &= \frac{\% \text{ change in qty demanded}}{\% \text{ change in price}} \\ &= \frac{150000 - 120000}{120000} \times 100 \\ &= \frac{30000}{120000} \times 100 \\ &= 2.5 \end{aligned}$$

#### Examiner's comments:

**This response was given 3 marks.**

The correct answer of  $-2.5$  is a minus figure. The response of  $2.5$  was missing the minus sign to show interpretation of the proportional change in demand in relation to the change in price. The value of Price Elasticity of Demand is always negative because price and demand have an inverse relationship.

## Exemplar response B

$$\text{Price elasticity of demand} = \frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in price.}}$$

CPE D.

$$\text{Percentage change in quantity demanded} = \frac{150000 - 120000}{120000} \times 100$$

$$= 25\%$$

$$\text{PED} = \frac{25}{-10}$$

$$\text{PED} = -2.5$$

### Examiner's comments:

**This response was given 4 marks.**

A perfect response, which included all the calculations. It is worth noting that this response would have achieved the full 4 marks without any calculations as it is perfectly correct. Nevertheless, it is good practice to include the workings to gain marks where the final answer is incorrect but the workings are partially correct. This would create the opportunity to gain at least one or two marks rather than nil.

## Question 1(c)

Analyse how **two** different methods of primary research could help *Superdry*. (6)

### Mark scheme

**1(c) Knowledge 2, Application 2, Analysis 2**

Marks  
**(6)**

#### **Knowledge**

Up to 2 marks for defining primary research, e.g.

- New research **(1)** that is specific to the business needs **(1)**.

#### **OR**

For giving two methods, e.g.

- Surveys/questionnaires **(1)**.
- Focus groups/consumer panels **(1)**.

#### **Application**

Up to 2 marks for answers contextualised to *Superdry*, e.g.

- Direct feedback from customers will help *Superdry* identify consumer needs, such as a more feminine range of clothes **(1)**.
- Focus groups will help provide qualitative data on *Superdry* products, such as the need for quality not price **(1)**.

#### **Analysis**

Up to 2 marks for reasons / causes / consequences for *Superdry*, e.g.

- By responding to consumer needs *Superdry* is likely to sell more clothes and remain competitive **(1)**.
- As a result *Superdry* can maintain premium prices for quality clothes **(1)**.

## Exemplar response A

### Exemplar response A

Primary reusarch is ~~the~~ collecting first hand information/ data that is for the business. popuse/need.

Primary reusarch methods will help Superdry to meet customers needs. That ~~in use~~ can be found out by ~~conduct~~ sending questionairs to customers and knowing more about their likes and dislikes. Questionars will allow Superdry to know more about what is the gap of the market and what are costumers expecting from businesses like Superdry. That will lead to costumers satisfaction as well as customer loyalty because Superdry will be working on a new product that includes their preferences. As well as Superdry can use are also using interviws that will let them know more about ~~people~~ what costumers are expecting from the newly launched product and will lead to Superdry filling the gap in the market and being competitive. This means that profit will increase as <sup>new</sup> costumers incease at the business.

#### Examiner's comments:

#### This response was given 4 marks.

The question asked for 2 methods of primary research and this response identified questionnaires (1 knowledge mark) and interviews (1 knowledge mark). The definition could have also achieved 2 knowledge marks. Only 2 are available in total overall.

A further 2 analysis marks were achieved for developing a consequence for each of the chosen methods so the questionnaires allow *Superdry* to find out about the likes and dislikes of their customers (1 analysis mark) and the interviews allowed *Superdry* to find out what their customers are expecting, which will make them more competitive (1 analysis mark).

In order to achieve the full 6 marks, this response needed to include some application for each method. For example, it could have linked the questionnaires' likes and dislikes to *Superdry's* possibly learning the importance of keeping focused on quality and value for money rather than price (1 application mark) or how the interviews possibly led *Superdry* to design the more feminine range (1 application mark).

## Exemplar response B

Primary research methods refers to the a gathering of information directly from the customers using a wide range of methods such as interviews, questionnaires etc. Also known as field research. One method Superdry uses is interview. This gives Superdry a better understanding of what their customer needs, <sup>from the sport clothes</sup> as interviews are more personal. From this method they have identified a new need; a range of feminine clothing; which has allowed them to increase their customer base and sales. <sup>Although</sup> This method can result expensive and time consuming. Another method they use is questionnaires which are less interactive than questionnaires but can be done faster and more effectively. From this it has helped them understand that <sup>Superdry's</sup> ~~the~~ customers care more for the value for money and quality instead of price. This could help Superdry adapt their pricing strategies to <sup>setting</sup> a more higher ~~expensive method~~ price to increase profit margins.

### Examiner's comments:

**This response was given 6 marks.**

This was a good response, which achieved full marks. It could have gained a knowledge mark for the definition as field research. However, the 2 knowledge marks were actually given for the identification of interviews (1 knowledge mark) and questionnaires (1 knowledge mark) and achieved the application marks with the reference to the need for a more feminine range of clothing (1 application mark) and customers wanting quality clothing and value for money (1 application mark), which were both analysed. Firstly, with 'allowed them to increase their customer base and sales' as one consequence (1 analysis mark) and another consequence being 'help Superdry adapt their pricing strategies to setting a higher price to increase profit margins' (1 analysis mark).

## Question 1(d)

Using the data in Extract B, discuss the likely impact of *Superdry's* profit share plan on employee motivation. (8)

### Mark scheme

#### **Indicative content guidance**

Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited.

**Q58** Use and interpret quantitative and non-quantitative information in order to make decisions

#### **Knowledge, Application, Analysis, Evaluation – indicative content**

- Profit sharing is a form of financial incentive given to employees, where part of the profit of the business is shared amongst the employees.
- Superdry launched a three-year profit share scheme for the 4,500 employees worldwide. Employees are awarded a share of the profit depending upon their job role in the company.
- Employees may receive between £2 000 and £300 000 in addition to their salaries.
- Motivation levels of the employees are likely to be high because of the extra financial gain they get if company is profitable.
- It shows the employer regards the employees as being important to the business. This will also help to motivate the workers at *Superdry* to improve their productivity.
- However, employees lower in the hierarchy may feel less motivated than those higher in the organisation, as they get a lower amount of profit share.
- The amount offered to full time shop employees is only £2 000 compared to a shop manager who receives £28 000. This may demotivate employees who feel the scheme is unjust.
- Not all employees are motivated by financial incentives. Non-financial incentives may be more important to some employees at *Superdry*.
- As there is no guarantee that *Superdry* will make a profit over the three-year plan, employees may not change their working habits and motivation may not change.

| Level          | Mark | Descriptor  |
|----------------|------|---|
|                | 0    | No rewardable material.   |
| <b>Level 1</b> | 1–2  | Isolated elements of knowledge and understanding – recall based.<br>Weak or no relevant application to business examples.<br>Generic assertions may be presented.   |
| <b>Level 2</b> | 3–5  | Accurate knowledge and understanding.<br>Applied accurately to the business and its context.<br>Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete.<br>An attempt at an assessment is presented that is unbalanced and unlikely to show the significance of competing arguments.                                |
| <b>Level 3</b> | 6–8  | Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.<br>Logical chains of reasoning, showing cause(s) and/or effect(s).<br>Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors. |

## Exemplar response A

Employee motivation refers to the reasons why employees/workers work hard and effectively for a business.

This method of motivation used by Superdry which is a financial motivator would possibly benefit the business as it will be able to retain experienced and skilled workers in Superdry and could also attract a number of new workers.

The three year profit share plan involves providing £2000 for full time employees, £28 000 for managers and, upto £75 000 for senior leaders and £300 000 for senior executive team members.

These financial reward could be considered a significant sum of money for each group of workers. and

The objective of the strategy is to attract retain and reward best employees. This could increase productivity within the workforce of Superdry contributing to satisfied customers. to

However this is only a financial motivator to the employees of Superdry. Not all employees ~~are~~ ~~to~~ ~~any~~ have financial incentives and may expect other forms of motivation such as promotion and fringe benefits

### Examiner's comments:

**This response was given 3 marks.**

The examiner is required to use levels of response marking for the (d) and (e) questions so with 3 marks, this was a Level 2 response.

It is important to note two aspects to this question. The first is that the question requires the student to use the data in Extract B. The student must first select some data and then use it to support either some knowledge or some analysis rather than simply quote an extract from the case study as a standalone item. The second aspect is that the student is required to analyse the impact on employee motivation, not the impact on the business.

Students should always pay close attention to these types of specifics in all questions.

In this case, the student initially demonstrated understanding of employee motivation but went on to consider the impact on the business so achieved only elements of knowledge up to this point. Following this, the response includes a quote regarding features of the profit share plan '...£2000 for full time employees... £300,000 for executive team members' and follows this with an assertion that 'this could be considered a significant sum of money'. At this point, the response is still in Level 1 with some elements of knowledge but has not yet used the quote selected to support a chain of reasoning. The response continues by offering a quote on the objective of the profit-sharing plan but attempts to use it with an assertion that this could increase productivity. This is a benefit to the business rather than an impact on employee motivation and cannot be given any marks. Up to this point, the response has therefore achieved some elements of knowledge with some relevant application to the business example. The response then offers an attempt at balance by recognising that some employees are not financially motivated and may, in fact, be more motivated by promotion or fringe benefits. This is slightly assertive and needs development to be good balance but achieves further accurate knowledge and understanding with an attempted assessment, which places the response in Level 2. Some other aspects of Level 2 and Level 3 could have been achieved by offering a developed chain of reasoning, such as those in the mark scheme, focusing on the impact on the employee, e.g. the profit-sharing plan may have been able to achieve the objective of improving the retainment of employees (use of qualitative data) by making them feel valued and motivated to stay at least for the 3-year period (further quantitative data) that the plan is in place. This then offers a logical chain of reasoning and would have achieved higher Level 2 marks. Further development might include, e.g. that *employees may consider or hope that during that period Superdry will judge the plan to be beneficial and extend it to last longer*. At this point, we would enter Level 3 with a logical chain of reasoning and could go even further e.g. *employees would be unlikely to find such plans in many other retailers if they did in fact leave Superdry so this might act as a disincentive to leaving*. The response could then have achieved higher marks in Level 3 by adding depth to the assessment and recognising the importance of some of the competing arguments, by arguing that although this may be true for many employees, it may not be true for all and in particular, the lower level employees did not have any significantly high reward in any event (qualitative data using the quantitative data already provided by the candidate and then developed as follows) and as this reward was not available in the short term and was not guaranteed, they may be more motivated to seek alternative employment with other retailers elsewhere where there may be greater opportunities for other motivational factors, such as promotion. So developed logical chains of reasoning and well-developed balance using qualitative information would reflect the mark scheme and would certainly have helped this candidate achieve Level 3 top marks of 8.

## Exemplar response B

First of all Profit refers to <sup>extra</sup> money got back from either an investment or a loan.

Profit share plan of Superdry would encourage workers to work extra hard so that they can earn <sup>more</sup> profit.

Profit share plan of Superdry would can encourage workers to work overtime because they would earn more profit hence they would get more profit share.

Profit share plan of Superdry can also bring employees to work together so that they can earn more money hence more profit share. Profit share plan, places on a awarding best type in the company as everyone wants to be the best hence employees motivation. However there are also some negatives in that Superdry's profit share plan on employee motivation.

Full-time employees in the shops are awarded very little money compared to senior leaders and shops managers yet they are the ones that do most of the hard work hence this discourages affect on employee motivation.

Superdry's profit share plan, plans to award only best employees that others are not awarded this discourages employee motivation because not all employees will be the best.

The profit share plan is awarded unequally where by ~~sample~~ some people receive very little and other receive alot this discourages on employee motivation because they did the same job but they awarded differently.

### Examiner's comments:

#### This response was given 6 marks.

The examiner is required to use levels of response marking for the (d) and (e) questions so this was a low level 3 response.

This candidate demonstrates accurate, although perhaps not thorough, knowledge and understanding of a profit-share plan and does focus the response on employee motivation and how that level of motivation may make them behave so this is a logical chain of reasoning. Well-contextualised balance is offered with the arguments regarding the possible discouraging allocation of differing profit-sharing awards to senior roles when compared to regular employees. However, the analytical chain of reasoning is a little under-developed, assertive and repetitive, not fully explaining how employees might work harder, work together and the link between that and greater profit and then the development to how this would mean they could receive higher rewards. The balance, too, is a little assertive and repetitive. Both need to be applied and developed more fully to achieve the higher marks in Level 3.

## Question 1(e)

T-shirts and hooded tops are *Superdry's* cash cows.

Assess the extent to which the Boston Matrix may help *Superdry* compete in the clothing market.

(10)

### Mark scheme

#### Indicative content guidance

Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited.

#### Knowledge, Application, Analysis, Evaluation – indicative content

- The Boston Matrix is a method of portfolio analysis based on market share and market growth.
- It categorises products into cash cows, dogs, stars and problem children (question marks).
- It can be used to analyse the current portfolio of products to help with future strategies and growth. Cash from mature products such as t-shirts and hooded tops can be used to fund new clothing ranges such as the snow range to increase revenues.
- As market share may be gained through investment in marketing, the matrix helps to focus on a promotion strategy of new ranges and designs to increase sales.
- It will help in the decision-making regarding clothing ranges that are regarded as dogs that should be discontinued.
- However, it is only a snapshot of the current product portfolio. It has little or no predictive value and does not take account of external factors such as competitors and changes in fashion in the industry.
- Just because products are categorised as dogs does not mean they must be removed – perhaps they still generate acceptable levels of revenue.
- The Boston Matrix cannot be used in isolation and must consider other external and internal factors to help *Superdry* make important decisions on its product portfolio.
- Product life cycle may be a better method of portfolio analysis as it takes account of life span of products which is an important element in the fashion industry.

| Level          | Mark | Descriptor   |
|----------------|------|--|
|                | 0    | No rewardable material.  |
| <b>Level 1</b> | 1–2  | Isolated elements of knowledge and understanding – recall based.<br>Weak or no relevant application to business examples.<br>Generic assertions may be presented.  |
| <b>Level 2</b> | 3–4  | Elements of knowledge and understanding, which are applied to the business example.<br>Chains of reasoning are presented, but may be assertions or incomplete.<br>A generic or superficial assessment is presented.  |
| <b>Level 3</b> | 5–7  | Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.<br>Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).<br>An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments. |

|                |      |  |
|----------------|------|--|
| <b>Level 4</b> | 8-10 | <p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</p> <p>Assessment is balanced, wide ranging and well analyzing/analysed, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors, leading to a supported judgement.</p> |
|----------------|------|--|

### Exemplar response A

Boston matrix is a 2x2 matrix model that is used for the product portfolio of a business in terms of market share and market growth. They are Star, Cash, Question mark, dog.

Superdry offers a wide product range, including t-shirts, hooded tops, dresses, jackets, shirts, footwear etc.

A sportswear range has recently been added to the product portfolio.

The products such as <sup>T-shirts and hooded tops</sup> dresses, <sup>footwear</sup> jackets, <sup>etc</sup> are products that could be said, <sup>to be</sup> cash cow product.

Currently these products are bringing cash to the business. However they have low market growth but high market share but with appropriate advertisement further sales can be generated.

Sportswear products are in the question mark product that ~~is~~ is in the introduction stage. If these products become <sup>successful</sup> ~~successful~~ through qualitative and quantitative research they can become future cash cow or Star product.

However Boston matrix structure can just show a product or products in terms of market share and growth. There are other factors that cannot be neglected. There are more than one products. So going through them through Boston matrix is inconvenient and impractical to calculate.

### Examiner's comments:

#### This response was given 7 marks.

This was a good response with accurate knowledge and some use of relevant context. The candidate initially demonstrates this knowledge by identifying the differing categories and providing some examples from the product range. However, this could have been better argued if there had been links between which categories the example products might have been in. This is done to some extent by categorising the t-shirts as cash cows and analyzing the consequences of generating revenue, and of having the potential for increased sales if further promotion is undertaken. The response also considers question marks and how these need to receive investment in order to grow. At this point, the response has achieved several elements of level 3 but lacks a little depth and breadth of analysis and has not yet offered any attempt at assessment. The candidate could have achieved higher marks with more developed and logical chains of reasoning regarding how the business might treat the different products in all the categories and how cash cows such as the t-shirts demand decisions from the business over how much funding is required to maintain their market share and prolong their life cycle in a low growth market, whilst also providing funding for investment in stars such as perhaps the feminine range in a high growth market with high market share - whilst at the same time it is essential to eliminate dogs by either improving their sales or discontinuing production of these items if they cannot be made more profitable in order to protect overall profit margins. Equally as *Superdry* constantly updates their ranges they will have question mark products where they may have low market share at the beginning of the life cycle but perhaps has potential to achieve more as it is in a high growth market so requires close attention to the promotional plans. Examples of this are in the mark scheme.

Although this response then goes on to recognise there are limitations to the Boston Matrix and therefore offers an attempt at assessment, there is an opportunity to offer more wide ranging and balanced assessment by providing more detail. The fact that there is a big product portfolio is perhaps not such an important factor as the external economic environment, research into competitor activity or life cycle management and these arguments could be more fully developed to achieve top marks.

## Exemplar response B

Boston Matrix is used as it is difficult to know ~~that~~ ~~pro~~ the ~~pro~~ stages in product life cycle using product portfolio.

Boston Matrix are divided into four part :- Star, Question mark, ~~cash~~ cash cow and dog.

By using the ~~pro~~ Boston Matrix they can know the level of ~~each~~ ~~pro~~ market share and market growth of ~~each~~ <sup>their clothing</sup> products ~~they~~ ~~pro~~ have. So if T-shirts <sup>are</sup> at star it means high market growth and market ~~staying~~ share, which means ~~revenue~~ sales increase and has high ~~ly~~ - competitive edge to their rivals.

~~And~~ Another is that when using Boston ~~pro~~ Matrix we can which product is at ~~my~~ completely at decline and ~~should~~ be selling off. ~~using~~ ~~the~~ dog by the help of dogs.

### Examiner's comments:

#### This response was given 3 marks.

This response was given 3 marks which is the lowest Level 2 mark. The candidate offers some elements of knowledge and understanding of the Boston Matrix by identifying the categories and with reference to levels of market share and growth. There is an attempt at application by categorising t-shirts as stars and this could have achieved higher marks if it had been developed to explain how this affects the firm's decision making. It is possible the candidate would have been able to develop this more clearly as a cash cow with low market growth potential and so little investment advisable. Had this chain of reasoning been presented then this response could have achieved a higher Level 2 mark of 4 marks but would be further improved by an assessment of this reasoning by stating that however there would need to be some minimal investment in marketing to protect the current market share as in the mark scheme. At this point the candidate would have achieved a Level 3.

## Question 2(a)

Define the term 'online retailing'. (Extract C, line 1)

(2)

### Mark scheme

#### Knowledge 2

Up to 2 marks for defining the term 'online retailing' e.g.  
The sale of goods and service **(1)** using the internet **(1)**.

### Exemplar response A

Online retailing it refers to the process of selling goods and services online using the internet for connection. Goods are ordered online and payment is done online this known as E-commerce.

#### Examiner's comments:

**This response was given 2 marks.**

This response was given the full 2 marks. The first mark is achieved with stating the selling of goods and services and then the second mark is for reference to using the internet, exactly as the mark scheme outlines.

### Exemplar response B

Selling products through online is known as online retailing.

#### Examiner's comments:

**This response was given 1 mark.**

This response was given 1 mark for the reference to the selling of products. The term online is used in the question so cannot gain any extra marks. The response needs to be developed with reference to the internet for the second mark.

## Question 2(b)

Using the data from Extract D, explain **one** way changes in fashions, tastes or preferences have affected demand for *Ocado*.

(4)

### Mark scheme

#### **Knowledge 1, Application 2, Analysis 1**

Quantitative skills assessed:

**QS9** Interpret, apply and analyse information in written, graphical and numerical forms

#### **Knowledge**

For giving one reason, e.g.

- More consumers are changing their buying habits and buying groceries online **(1)**.

#### **Application**

Up to 2 marks for answer contextualised:

- Revenue from online sales increased from £680m to £1 258m **(1)**.
- Deliveries increased 92% between 2012 and 2016 from 120,000 orders a week to 230,000 per week **(1)**.

#### **Analysis**

Up to 1 mark for reasons / causes / consequences for *Ocado*, e.g.

- This has led to more orders for *Ocado* and increased revenue.

## Exemplar response A

People have increased the use of Internet through the world the wide-spread of the Internet has also resulted in increased sales for online retailers like Ocado. With more and more people buying groceries and other items from the Internet instead of supermarkets, Average number of orders per week for customer Ocado has increased steadily from 120,000 in 2012 to 195,000 in 2015 this has also resulted in more revenue as it increased from £680m pounds in 2012 to 1107m Pounds in 2015.

### Examiner's comments:

#### This response was given 4 marks.

This response was a very good response and achieves full marks. The knowledge mark is gained at the start of the answer by referring to the trend in the internet use resulting in an 'increase in sales for online retailers' (1 mark) following this with the application of orders increasing from '120,00 in 2012 to 195,000 in 2015' (1 application mark), 'resulted in more revenue' (1 analysis mark)" and '680m pounds in 2012 to 1107m pounds in 2015' (second application mark).

For giving one reason, e.g.

- More consumers are changing their buying habits and buying groceries online (1).

#### Application

Up to 2 marks for answer contextualised:

- Revenue from online sales increased from £680m to £1 258m (1).
- Deliveries increased 92% between 2012 and 2016 from 120,000 orders a week to 230,000 per week (1).

#### Analysis

Up to 1 mark for reasons / causes / consequences for Ocado, e.g.

- This has led to more orders for Ocado and increased revenue.

## Exemplar response B

Changes in fashions, tastes and preferences is a market change that affects demand for goods and services.

In this case, developing technology has helped Ocado increase its revenue as increased people are shopping online and they have experienced a growth of online shopping.

This has largely benefited Ocado as it has expanded and developed a service using inhouse designed software and technology. This has managed to boost revenue from £680 million in 2012 to £1258 million in 2016.

### Examiner's comments:

**This response was given 3 marks.**

This response was given 3 marks. It was also a good response and gained a knowledge mark for the same reason as the previous response. However, an analysis mark was achieved by noting the cause of the successful retaining in that growing market was the development of the in-house software and technology. Sadly, this response offered only one extracted piece of numerical data regarding the figures of the increase in revenue to support the analysis and so could only achieve one application mark. Had the numerical data regarding the increase in number of orders also been attached, this response would have gained 4 full marks.

## Question 2(c)

Analyse **two** advantages for *Ocado* of having cost efficiency as a main business objective.

(6)

### Mark scheme

#### Knowledge 2, Application 2, Analysis 2

##### Knowledge

Up to 2 marks for defining cost efficiency, e.g.

- Is minimising costs/expenses/waste **(1)** when producing a product or service **(1)**

##### OR

For providing two advantages of cost minimisation, e.g.

- Lower operational costs **(1)**
- Increased profit margins **(1)**

##### Application

Up to 2 marks for answers contextualised to *Ocado*, e.g.

- The grocery market is very price competitive **(1)**.
- Online grocery represents approximately 6% of the UK grocery market and predicted to grow to 9% by 2021 **(1)**.

##### Analysis

Up to 2 marks for reasons/causes/consequences for *Ocado*, e.g.

- This may lead to *Ocado* offering lower prices to consumers to gain increased market share **(1)**.
- Increased profits will allow *Ocado* to expand and continue its present rate of growth **(1)**.

### Exemplar response A

Business objectives are goals that a business aims to achieve through its marketing activities. One advantage of having cost efficiency as a main objective is because having lower costs means that Ocado can offer customers lower prices, which attracts more customers, leading to higher revenues and profits. Since the grocery market is very price competitive, there is high price <sup>elasticity of</sup> demand. That means that lowering prices ~~lead~~ results in a proportionately larger increase in demand. This leads to higher revenues and profits. ~~Another advantage is that~~

### Examiner's comments:

**This response was given 3 marks.**

This response was given 3 marks. The candidate had the knowledge that cost efficiency means the business can offer lower prices to consumers (1 knowledge mark) and applies this knowledge with reference to the price competitiveness of the grocery market (1 application mark). Another advantage is higher profits (second knowledge mark). In order to achieve the remaining 3 marks, this response needed to offer an outcome of offering lower prices in a price competitive market as per the mark scheme example of being able to achieve greater market share. The response could also have gained another application mark for the knowledge of greater profits being available with 9% predicted growth of the UK market by 2021 so those profits could fund expansion to take advantage of the potential growth.

### Exemplar response B

Having cost efficiency as a main business objective, Ocado will be able to maintain its market share. As the market for grocery is very price competitive, reducing costs will help Ocado to keep prices low. As a result, Ocado can remain price competitive which will result in maintaining the market share.

Being cost efficient will allow Ocado to waste fewer resources. This will help Ocado to spend less on resources and increase profit margin. This will result Ocado being competitive and maintaining marketshare.

### Examiner's comments:

**This strong response achieved 5 marks.**

The first advantage of reducing costs to keep prices low (1 knowledge mark) in a price competitive market (1 application mark) leads to maintaining market share (1 analysis mark). The second advantage of reducing waste means spending less on resources (1 knowledge mark) which will lead to increased profit margins (1 analysis mark). This second advantage needs to use the information presented in the case study such as the % data used in the previous response A to achieve the second application mark.

## Question 2(d)

Discuss the extent to which *Ocado* has been successful in adding value to its business.

(8)

### Mark scheme

#### Indicative content guidance

Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited.

#### Knowledge, Application, Analysis, Evaluation – indicative content

- Added value is the increase in value that a business creates when producing a product/service. It is the difference between the price of product and the cost of the inputs involved in providing it.
- *Ocado* have added value through the product features and benefits such as colour-coded bags, hourly delivery times.
- *Ocado* have added value by offering convenience as customers can use their mobile devices to buy the grocery online. This has led to a significant increase in turnover for *Ocado*.
- Offering a service with benefits such as colour code bags and reminder texts with the driver's name, may differentiate it from competitors and attract more customers. *Ocado* have seen a significant increase in orders between 2012 and 2016.
  - A firm that is adding substantial value, in theory, must also be operating profitably as the selling price is greater than the costs of making the product.
  - However, building the brand is expensive and may mean high investment. *Ocado* has developed its own in-house technology to operate the business which may lead to higher prices or lower profit margins in the short term.
  - The product features of packing colour-coded bags and sending texts to customers may increase costs to *Ocado* which may increase prices and deter customers from using the service.
  - Offering a choice of delivery times may mean that some delivery vehicles are not being fully utilised at certain hours of the day, which reduces capacity utilisation and increases average costs.

| Level          | Mark | Descriptor   |
|----------------|------|--|
|                | 0    | No rewardable material.  |
| <b>Level 1</b> | 1–2  | Isolated elements of knowledge and understanding – recall based.<br>Weak or no relevant application to business examples.<br>Generic assertions may be presented.  |
| <b>Level 2</b> | 3–5  | Accurate knowledge and understanding.<br>Applied accurately to the business and its context.<br>Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete.<br>An attempt at an assessment is presented that is unbalanced and unlikely to show the significance of competing arguments. |

|                |     |   |
|----------------|-----|---|
| <b>Level 3</b> | 6-8 | Accurate and thorough knowledge and understanding supported throughout by relevant and effective use of the business behaviour/context.<br>Logical chains of reasoning, showing cause(s) and/or effect(s).<br>Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and show an awareness of competing arguments/factors. |
|----------------|-----|---|

### Exemplar response A

Offering hourly delivery times, Ocado has achieved customer satisfaction. This will increase customer loyalty as people have more choice when they ~~wants~~<sup>want</sup> goods to be delivered. As a result, customers will not switch to a rival brand and Ocado can maintain its market share in a highly competitive market.

Ocado has developed their service using in-house designed software and technology which helped them to remain competitive and maintain their market share. In the long-term market share will increase which will result in a rise in revenue. This will increase the profits for Ocado. By increasing the profits, Ocado will be able to expand into international markets more easily.

## **Examiner's comments:**

### **This response was given 4 marks.**

This response was given 4 marks. The examiner is required to use levels of response marking for the (d) and (e) questions so with 4 marks, this was a mid-Level 2 response. If the chains of reasoning and applied business behaviour and context are thorough and correct, then this response would reach the Level 3 requirements as demonstrating 'accurate and thorough knowledge and understanding'.

This candidate has accurate knowledge and understanding and offered application with the choice of hourly delivery times and in-house designed software. The first is analysed with the consequence of offering more choice to the customer and the chain of reasoning develops to link this to retaining market share in a competitive market. The software starts a chain of reasoning to link this to a consequence of rising revenue and thus the ability to expand more into international markets. This response could therefore have achieved a higher level 3 mark had it included some assessment as per the mark scheme examples, i.e. delivery times not fully utilising capacity and so increasing average costs and possibly increasing costs, thus leading to prices which may deter the customers. Had the assessment not been fully developed, this would likely have taken the mark to 5 or more but if well-developed then this would have been a mid-level 4 response. In order to reach 8 marks the chains of reasoning would also need to be more developed. It is possible to achieve this by offering more depth of analysis of just one to two examples e.g. more choice would lead to differentiation from competitors which would attract customers and thus increase market share.

## Exemplar response B

Adding value is a feature of a product or service such as high quality customer service that exceeds the expectations of customers. It is also the difference between the selling price and the cost of inputs.

Ocado includes colour coded bags to separate different food items. Allowing customers to be satisfied with the high level of service. Also, Ocado offers timely delivery times which offers greater choice and convenience to customers as they will be able to access the online service at any hour of the day. This will increase customer loyalty and improve Ocado's brand image. Moreover, it offers over 46,000 different food products as well as non food products leading to increased customer satisfaction.

However, the grocery market is extremely price competitive and consumers may not care about Ocado's added value and may be more concerned about the price of goods and services. They may use price comparison sites and if Ocado's products are more expensive they may switch to other retailers such as Tesco. Adding value is also an expensive process and may decrease Ocado's profitability <sup>and increasing their prices</sup>.

### Examiner's comments:

**This response was given 7 marks which is a mid-level 4 mark.**

The candidate demonstrates accurate and thorough knowledge and understanding starting with the introductory definition. Although a good definition, it is unnecessary as the response offers several examples with logical chains of reasoning 'colour coded bags ...allowing customers to be satisfied with the high level of service and differentiating from competitors.... Delivery times... greater choice and convenience... will increase customer loyalty and improve...image. The assessment is balanced, well contextualised and uses qualitative information to show an awareness of competing arguments with the following argument. ....grocery market is price competitive...customers may be more concerned about price....use price comparison sites.... if more expensive may switch to other retailers. Adding value is an expensive process.... may increase their prices'. In order to gain the final mark, this last assertion could have been further developed as in the mark scheme to explain that this alone may deter customers.

## Question 2(e)

*Ocado* sells products online that are delivered to customers' homes. Place is one element of the marketing mix.

Assess the importance of place in *Ocado's* marketing mix.

(10)

### Mark scheme

#### Indicative content guidance

Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited.

#### Knowledge, Application, Analysis, Evaluation – indicative content

- Place is one of the four elements of the marketing mix. The other three elements are price, promotion and product.
- Place is where the product can be purchased and is also the process of making a product or service available to the consumer.
- *Ocado* sells food products on the internet providing convenience for consumers. The shopping is sent from its warehouses directly to customers in its fleet of delivery vans.
- A USP of *Ocado* is that it offers hourly delivery times to consumers. It is important that delivery is made on time to its customers who have specified a particular time of the day. In 2016 on-time deliveries fell from 95.3% to 94.9% which could impact repeat use of the service.
- *Ocado* sell and deliver perishable goods. It is therefore important that delivery is efficient so that food is fresh and good quality when delivered to customers.
- However other aspects of the marketing mix: place, price and promotion are equally as important to the success of *Ocado*.
- The grocery market is highly competitive, and the price of the food and delivery charges must be competitive in order to compete with other grocer retailers.
- Product range must be extensive and cover the brands that would be found in other supermarkets. Quality of the food delivered must be high in order to gain repeat purchase.
- *Ocado* must ensure that its target audience is aware of the service using promotional methods suited to its audience.
- Whilst place is crucial to the success of an online retailer, all elements of the marketing mix are equally importance to ensure the service succeeds in the long term.

| Level          | Mark | Descriptor   |
|----------------|------|--|
|                | 0    | No rewardable material.  |
| <b>Level 1</b> | 1–2  | Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.  |
| <b>Level 2</b> | 3–4  | Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented but may be assertions or incomplete. A generic or superficial assessment is presented. |

|                |      |  |
|----------------|------|--|
| <b>Level 3</b> | 5–7  | <p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</p> <p>An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.</p>            |
| <b>Level 4</b> | 8–10 | <p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</p> <p>Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors, leading to a supported judgement.</p> |

## Exemplar response A

### Exemplar response A

The marketing mix considers the factors of product, price, place and promotion; and helps the business to make marketing decisions.

As Ocado is an online grocery retailer, 'place' plays a vital part of in ocado's marketing mix. Online grocery shopping represents approximately 6% of the UK grocery market and is predicted to grow to 21% by 2021, this means that more customers will be buying goods online this will be an advantage for ocado as it is the worlds largest online grocery retailer they will likely see a rise in sales and overall profit.

Ocado sells products online and delivers them to customers at home. This allows for added convenience for to customers as they do not need to pick up orders from distribution centers or super markets. This is a competitive advantage for ocado as they will be able to gain increased customer satisfaction which may lead to brand loyalty and repeat purchases.

For an online business 'place' plays a vital role in Ocado's marketing mix, that alone will not be beneficial for the business & the other elements such as product price and promotion will also play a ~~with~~ large role in the business's success. For example as Ocado is part of a highly price competitive market the 'Price' factor will likely play a large role, as will product, the quality of the goods delivered, and promotion as the online grocery market is likely to be highly competitive, successful advertising can help Ocado stand apart from rivals.

### **Examiner's comments:**

**This response was given 8 marks so is a low Level 4 response.**

This candidate opens their response by showing their knowledge with a definition of the marketing mix. This then moves on to begin a chain of reasoning that as an online business, place is very important. It then uses the 6% of market data and 9% predicted growth to support the consequence that Ocado is likely to experience a rise in sales and profit. This chain of reasoning is coherent but could have been further developed to establish a link between the expected growth of online shopping and why that makes place in particular more important. This is an opportunity to consider the location of their distribution centres as per the mark scheme so this makes online shopping a convenient and efficient process for potential customers who may be busy and may be including perishable goods in their orders so location is central to the success of online operations for effective deliveries.

However, the candidate does go on to include a chain of reasoning regarding the convenience of delivery to customers at home and develops this to identify that this achieves a competitive advantage leading to brand loyalty and sales.

This is a coherent and logical chain of reasoning with accurate and thorough knowledge and understanding supported by relevant and effective use of business context and behaviour.

The response finishes by referring to the other elements in the marketing mix especially price and promotion and the fact that these will be important in a competitive market. This is somewhat assertive and an attempt at assessment. In order to be wide ranging and well balanced it needs to expand these assertions to explain in what way the other elements are equally important, e.g. the product range must be extensive to match other supermarkets as per the mark scheme.

## Exemplar response B

Marketing is a combinations of four P's  
Price, Place, Product and Promotion.  
The importance of place is that if the distribution  
centre of Ocado's is located ~~at~~ the a great  
location it will be convenient for Ocado's to  
deliver ~~grocery~~ groceries from place to place.  
The right location will enable Ocado to deliver at  
the right time with no delays and complains  
from the customers. Customers will be satisfied  
with the ~~delievary~~ delivery of the products at  
the right time. However, If Ocado's distribution  
centres are not located at the right place  
they may find difficult to delivery groceries  
to the customers as a result the customers  
will be dissatisfied and the revenue ~~can~~  
markets have for Ocado's will decrease ~~at~~  
They might not be able to grow in the UK  
grocery market. ~~But~~ In conclusion Ocado's  
~~meed~~ distribution centre should be located at the  
right place so it will be convenient for them  
to deliver groceries to the customers and not  
ruin their reputation.

### Examiner's comments:

**This response was given 4 marks.**

The candidate has shown elements of knowledge and understanding, applying this to the particular importance of the location of Ocado presenting a chain of reasoning that delivering at the right time will satisfy customers, otherwise revenues will decrease and they might not be able to grow. This is incomplete and would benefit from a link to the hourly delivery service and the perishable goods requirements or the candidate could also have chosen to link this to the potential for growth in the market. In addition, this response could have achieved a higher level by also adding some balanced assessment.

## Question 3

Read Extracts E, F and G in the Source Booklet **before answering Question 3.**

Function, aesthetics and cost of manufacture are elements of the design mix. Evaluate which of these is the most important element for manufacturers of smartphones.

(20)

### Mark scheme

#### Indicative content guidance

Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited.

#### Knowledge, Application, Analysis, Evaluation – indicative content

- Function relates to the quality and reliability of a product. Cost of manufacture relates to whether the design allows the product to be made and sold profitably. Aesthetics relates to the appearance of the smartphone.
- Functions of the smartphones are being continually developed and therefore *Samsung* and other suppliers must ensure they keep up to date with the latest technological advancements in order to compete.
- Mobile phones are seen, by many people, as a necessity and therefore functions such as sending emails, using internet applications as well as making calls as important features to users.
- *Samsung* suffered a problem with the function of their Galaxy Note 7 phones which were reported to catch fire in the hand of users. This is obviously a major concern to *Samsung* and could impact customer loyalty.
- The quality of the phones is so good that customers do not need to change phones as often. This has meant the emphasis on function has in fact limited repeat sales for *Samsung* and others in the industry.
- Price has become an important factor in the smartphone market. Price is determined, to some extent, by the cost of manufacturing the phones.
- *Oppo* and *Vivo* have increased market share by selling phones at \$250 due to lower manufacturing costs. It is important that market leaders *Samsung* and *Apple* are able to maintain their market share which may mean reducing cost of manufacture.
- One reason *Samsung* have performed well is because they offer a range of phones at different prices. Price is therefore more important than functionality to some consumers. Therefore, the cost of manufacture for some ranges of their phones is important to keep prices low.
- It is important that the emphasis on cost of manufacture does not impact the quality of the smartphones and result in similar problems to the one experienced by *Samsung* and their Galaxy Note 7 products.
- Aesthetics can also be important because the look of the phone is a main selling point to some consumers.
- Consumers will want their mobile phone to be easily recognisable and a status symbol.

| <b>Level</b>   | <b>Mark</b> | <b>Descriptor</b>   |
|----------------|-------------|---|
|                | 0           | No rewardable material.   |
| <b>Level 1</b> | 1–4         | Isolated elements of knowledge and understanding.<br>Weak or no relevant application of business examples.<br>An argument may be attempted, but will be generic and fail to connect causes and/or consequences.   |
| <b>Level 2</b> | 5–8         | Elements of knowledge and understanding, which are applied to the business example.<br>Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question.<br>A comparison or judgement may be attempted but it will not successfully show an awareness of the key features of business behaviour or business situation.   |
| <b>Level 3</b> | 9–14        | Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.<br>Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question.<br>Arguments are well developed.<br>Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.  |
| <b>Level 4</b> | 15–20       | Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.<br>Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s).<br>Arguments are fully developed.<br>Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations. |

## Exemplar response A

The design mix includes three elements which a product should have: function, aesthetics and cost of manufacture.

Function means that products should be able to fulfil their purpose / do what they are meant to do.

For example, a phone should be able to send and receive text messages. Function is the basic

requirement that a product should meet. It is important because a malfunctioning product will not only give the business a bad reputation but it will also lead to decrease in sales as people will no longer purchase smartphones from that business.

~~Aesthetics is about what the product looks like, its packaging, its design.~~ Furthermore, by increasing

the amount of functions of a smartphone or phone, more people will want to buy the phone even if they already have one as such a phone would do more than what they already had. In fact, increasing the amount of functions of a good or service is an extension strategy which prolongs the life of a product.

Aesthetics is about what the product looks like, its packaging. If the product is high quality, more people are likely to buy it. It is important that the product looks good as obviously people would want to buy the most attractive looking phone. For example, more companies are coming up with ways to make a phone easier to hold. Therefore the aesthetics of a product are fundamental elements of the marketing mix.

Cost is immensely important to the marketing mix. Firms will not want to have their price so high that no one will be able to afford it but they also don't want it to be so cheap that people may think it is of low quality. They also want to be able to recover all their costs which they incurred during the research and development of the product. Furthermore, the phone needs to be affordable to the largest group in the population. They also need to carefully assess the prices of their competitors as the phone industry is immense and come up with suitable pricing strategies such as destroyer pricing, psychological pricing, and skimming.

In conclusion, cost may be a very important factor of the marketing mix but function and aesthetics are equally fundamental to the success of the phone.

## Examiner's comments:

### This response was given 8 marks.

It is worth noting that the most popular way for students to access the highest mark was by ensuring that the response developed chains of reasoning for all three options and balanced assessment for at least two in order to show awareness of competing arguments. Importantly this question needs the response to clearly refer to whether the particular element of the design mix in discussion is more or less important than any other element. This response started by demonstrating knowledge of the function element and how malfunction can damage reputation and lead to a loss in sales. The consequences of reasonable function are said to be more people wanting to buy and the prolonging of the product life cycle. Whilst this is the beginning of a chain of reasoning it is incomplete and needs to use business examples from the case study to support the argument. The mark scheme offers examples of *Samsung* models catching fire and how this could impact customer loyalty or how *Samsung* has experienced limitation of repeat sales due to the high quality of their phones. In addition, the response needs to consider why function may not be the most important element.

The response then considers aesthetics with an assertion that if the product looks good then more people will buy but the example of making the product easier to hold is relative to function. Again, there is an opportunity to give reasons why aesthetics are not important. We move on to cost of production. There is a tenuous link of cost of production in terms of research and development to the price of the product but the chain of reasoning following this is incomplete and assertive. The candidate would have benefitted by including extracts from the case study such as are in the mark scheme for *Samsung* and *Apple* to develop a chain of reasoning as to a suitable pricing strategy for each option rather than itemising the alternatives. It could complete by why therefore this makes the cost of production the most important element or otherwise.

Finally, a conclusion is attempted but again is assertive. New information needs to be introduced to argue why one particular element is more important than the others. The mark scheme suggests this is manufacturing costs due to the need to react to competitors who are introducing a cheaper range of phones.

## Exemplar response B

Function refers to what the product does and how it is used, aesthetics means its appearance and design and the cost how much money it takes to make it and they make up the design mix. Functions might be very important as it is being continually developed and we can do almost everything today on our smartphones, so if ~~we~~ the product doesn't have the same functions as the rest consumers won't buy it because they will feel it is inferior and will opt for substitutes but if the smartphone can do things that others can't, it can develop a USP that will increase its sales and its market share. However, consumers might prefer a nice design or a cheap option before the function as nowadays most smartphones do very similar things.\*

Aesthetics might be important because as smartphones are all very developed and have similar functionality, consumers might be looking for a nice, trendy design that differentiates their product from others, and this can add value to the product, as aesthetics can boost sales by appealing to consumers and their tastes. However, the design for smartphones is often limited, as for it to have an advanced and good functionality, it needs to follow some regulations and patterns of design, and if it looks too different, consumers will not buy it because

they are not so not trust the unfamiliarity and might it's not going to work properly, except if they are explorers who buy new technology to try it.

lastly, cost of manufacture might be important because it will inevitably affect the price. Consumers are getting very conscious of the price and usually look for not too expensive smartphones which is proven by the increase of market share of companies such as Huawei that offer smartphones for less than \$250. The price can also be a USP, especially for the percentage of consumers with a low income which are looking for cheap substitutes. ~~cost~~ However, low cost of manufacture also means it will decrease the quality as it will use cheaper suppliers and <sup>methods of production</sup> machinery which can damage the image and reputation of the business, making <sup>customers</sup> ~~them~~ switch to rivals.

\* Nonetheless, the success of Samsung offering smartphones with differing functionality, shows that consumers are interested in function.

In conclusion, all three features of smartphones might be important and it depends on what the consumers are searching for, but I think that price cost of manufacture is the most important because aesthetics are. There is a relative standardisation of aesthetics and functionality of smartphones in a the saturated market nowadays while price tends to vary a lot and is the main differentiation of many businesses against very expensive brands like Apple.

### **Examiner's comments:**

**This response was given 15 marks.**

The candidate has done well by considering all three elements of the design mix and has developed a logical and coherent chain of reasoning for the importance of each and offered a balanced argument for each function to give an opinion why it may actually not be important. In order to increase the marks achieved, whilst the arguments demonstrate knowledge and understanding supported by repeated use of business behaviour for all, there is opportunity to achieve greater support with more use of business context and examples from the case study. However, the response concludes with a highlight of the importance of the cost of manufacture in particular and supports this with reference to *Apple*.

Overall this response meets most of the requirements of Level 4 with opportunity for higher marks from greater context and a more detailed judgement.

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