



Mark Scheme and Marking Guidelines

NCFE Level 3 Applied General Certificate in Business and Enterprise (601/8908/3)

Assessment Date: 23 March 2022

Question	Answer	AO split	Total marks	Additional marking guidelines
Part A				
Question 1				
1 (a)	Answer – C Flour and other ingredients	AO1: 1 mark	1	
1 (b)	<p>AO1 – Knowledge (K) 3 marks</p> <p>Award 1 K mark for identifying one advantage (can be compared to sole trader or Ltd).</p> <p>Eg:</p> <ul style="list-style-type: none"> • No legal formalities required when setting up/no need to publish accounts. • Spreads the risk across more people (than a sole trader). • Partner may bring money and resources to the business. • Share ideas/skills/responsibilities. • Increased credibility with potential customers and suppliers – who may see dealing with the business as less risky than trading with just a sole trader. <p>Award 2 K marks for identifying 2 disadvantages (can be compared to sole trader or Ltd).</p> <p>Eg:</p> <ul style="list-style-type: none"> • Unlimited liability. • Profits have to be shared. • Lack of continuity. • Partners are jointly liable for the debts of the business. 	AO1: 3 marks AO2: 3 marks	6	

- Disagreement and friction between partners in decision-making [k] may cause risk to the business.

AO2-Analysis 3 marks

The learner will explain each advantage/disadvantage.

Advantage

Eg:

- No legal formalities when setting up/no need to publish accounts reducing cost as additional staff such as accountants may need to be recruited.
- Spreads the risk across more people (than a sole trader) so if the business fails impact on each partner can be less.
- Partners may bring money to the business, providing capital which does not have to be repaid OR which does not have any interest charges.
- Share ideas/skills which may improve the efficiency of the business.
- Increased credibility with potential customers and suppliers, who may see dealing with the business as less risky than trading with just a sole trader, increasing chance of making sales OR being given credit.

Disadvantage

Eg:

- The partners have unlimited liability and therefore if the business goes bankrupt partners' own assets are at risk.
- Profits have to be shared which may mean less return on investment for each partner.
- Has no continuity and therefore the business will be wound-up if a partner leaves or dies.

	<ul style="list-style-type: none"> Partners are jointly liable for the debts of the business so all partners can be sued as a result of the action of only one partner. Disagreement and friction between partners in decision-making [k] may delay decisions and make the business difficult to run. 			
1 (c)	<p>AO1 – Knowledge (K) 2 marks</p> <p>Award 2 marks for correctly identifying 2 hygiene factors OR 2 motivating factors OR 1 of each OR explaining what a hygiene factor is (prevent dissatisfaction) and a motivator (actively encourages workers to work harder).</p> <p>AO2 – Application (APP) 2 marks</p> <p>In order to achieve any APP marks learners MUST use the information in the question stem and therefore must relate the impact to the bakery and/or employees.</p> <p>Application may include:</p> <ul style="list-style-type: none"> Employees are paid an hourly rate only slightly higher than the minimum wage. The work is hot and very tiring. Staff complain that they receive very little feedback on their performance. There are no opportunities for staff development. All 5 staff are on permanent contracts. Staff stay no longer than 6 months. Staff sickness rates are increasing. Staff absence can result in late deliveries to their shops and hotels. 	<p>AO1: 2 marks</p> <p>AO2: 4 marks</p> <p>AO3: 3 marks</p>	9	<p>Answer needs to be in context to access AO2 APP marks.</p> <p>Generic answers that do not make use of the stimulus material will not be awarded APP marks.</p> <p>AO1 and AO2</p> <p>5–6 marks for a Reasonable/Good Analysis AND Reasonable/Good Application.</p> <p>3–4 marks for a Reasonable/Good Analysis OR Reasonable/Good Application.</p> <p>1–2 marks for a limited response, all knowledge.</p> <p>AO3</p> <p>3 marks for a sound judgement that is fully supported/justified.</p> <p>2 marks for a sound judgement that is partly supported/justified.</p>

	<p>AO2 – Analysis (AN) 2 marks</p> <p>Analysis points may include:</p> <ul style="list-style-type: none"> • Increasing wages may have no impact on staff retention as 10% increase is not sufficient to prevent them leaving, especially as there are high levels of employment in the area. • Awarding a bonus for attendance could improve attendance as employees want the additional money however if they are unavoidably absent then the incentive goes and sickness levels could rise even higher. • According to Herzberg, training staff will act as a positive motivator. It can allow the employee to develop their skills which will motivate them so they are more likely to stay. • There may be benefits in improved efficiencies/ideas due to training. • Increased skills base makes them more employable and they may leave for a better paid job elsewhere, especially as there is high unemployment locally. <p>AO3 – Evaluation. (EV) 3 marks</p> <p>EV1 Award 1 mark for an assessment of the impact on the business that is more than a simple unsupported judgement.</p> <p>Eg:</p> <ul style="list-style-type: none"> • Staff are more likely to stay if wages remain higher than they could get elsewhere. • Staff are more likely to stay if the training given to them allows them to get increased job satisfaction. <p>EV2 Award 2 marks where the learner has supported the assessment with evidence/argument for at least 2 impacts. These can be positive and/or negative.</p>			<p>1 mark for a limited judgement(s) with limited support/justification</p> <p>0 marks for a judgement(s) without any supporting justification.</p>
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	<p>As EV1 plus: However, the 10% increase in the wage bill would have to be less than the costs incurred through having to recruit every 6 months otherwise costs will increase.</p> <p>However, staff become more employable and if they do not get increased job satisfaction, they may leave anyway, and the money spent on training will be wasted.</p> <p>EV3 Award 3 marks for a fully supported and realistic assessment of the impact on the business from the proposed courses of action.</p> <p>As EV2 plus: As the business operates in an area of high unemployment it could be that all methods will improve retention; however, to ensure retention is improved in the long run SOL need to ensure that there are opportunities for staff to progress within the firm's structure or they will leave anyway.</p> <p>OR for one justified choice eg:in the long run increased job satisfaction is more likely to encourage employees to stay with the business. Without job satisfaction it is unlikely staff will stay for any length of time. The increase in wages will soon be seen as a 'right' according to Herzberg and staff will look to leave for more satisfying jobs.</p>			
Question 2				
2(a)	Answer – C Reduction in fixed costs	AO1: 1 mark	1	

2 (b) (i)	<p>AO1-Knowledge (K) 2 marks</p> <p>Award 2 K marks for identifying 2 possible outgoing. Accept any reasonable answer.</p> <p>Eg:</p> <ul style="list-style-type: none"> • Interest on loans • Advertising • Rent OR rates • Distribution/petrol/transport • Packaging. 	AO1: 2 marks	2	
2 (b) (ii)	<p>AO1-Knowledge (K) 2 marks</p> <p>Award 2 marks for 3 correct answers. Award 1 mark for 2 correct answers. Award 0 if 1 or 0 are correct.</p> <p>X= £18,600 Y= -£1,800 OR (£1,800) Z= £21,000</p>	AO2: 2 mark	2	No pound sign needed. No marks for working out. Answers are not dependent on each other so no OFR.
2 (c)	<p>Award 1 K mark for correctly identifying one method of improving cash flow.</p> <p>Eg:</p> <ul style="list-style-type: none"> • Ask for more credit from supplier/choose another supplier with longer credit period. • Collect more quickly from customers OR introduce penalty for late payment OR discount for prompt payment. • Factor the debt. • Find a cheaper supplier of ingredients. 	AO1: 1 mark AO2: 2 marks	3	

	<p>To earn the 2 AO2 marks the learner must explain how the suggestion will work and/or any reason why it may not work.</p> <p>Choose another supplier giving a longer credit period will allow cash to stay in the business longer but the quality of the flour and the reliability of the service may not be as good, negatively impacting the quality of the bread.</p> <p>Collecting more quickly may improve cash inflow but the hotels may choose to buy their bread from another supplier negatively impacting on sales revenue and ultimately cash flow.</p> <p>Factoring the debt will ensure the business receives its cash more quickly but the cost of using a factor may outweigh the benefits so cash flow actually worsens OR bakery loses the personal contact it has with the hotels and may lose them as customers.</p> <p>Find a cheaper supplier of ingredients but this may lead to quality issues in the final product as the ingredients themselves may be of inferior quality.</p>			
2 (d)	<p>AO1 – Knowledge (K) 2 marks The learner will demonstrate an understanding of a feature for 2 relevant sources of finance eg retained profit, bank loan or leasing OR 2 features of one of those sources of finance.</p> <p>Bank loans are for a fixed amount, repaid over a set period. Interest is charged on the loan.</p> <p>Retained profit: no interest or repayment.</p> <p>Leasing is a contractual arrangement where the lessee pays the lessor for use of an asset for a fixed period of time.</p>	<p>AO1: 2 marks</p> <p>AO2: 4 marks</p> <p>AO3: 3 marks</p>	9	<p>Answer needs to be in context to access AO2 APP marks.</p> <p>Generic answers that do not make use of the stimulus material will not be awarded APP marks.</p> <p>AO1 and AO2</p> <p>5–6 marks for a Reasonable/Good Analysis AND Reasonable/Good Application.</p>

	<p>AO2 – Application (APP) 2 marks In order to achieve APP marks learners MUST develop answers in the context of the bakery.</p> <p>Application may include:</p> <ul style="list-style-type: none"> • Cash flow is unpredictable. • Sales are growing/growing market (earlier in case study). • Fixing breakdowns of machinery are reducing their profit margins. • Hotels may switch suppliers if late deliveries continue. • The cost of the equipment is £25,000. • The business still has one year left to pay on an existing 5-year loan of £35,000. • Their gearing ratio is 20%. • Interest rates are not predicted to rise in the next 12 months. • They have retained profit of £20,000. • They do not own the bakery, so cannot use it as security. • Both brothers own sufficient assets to put up as security on the new loan. • The brothers want to maintain margins. <p>AO2 – Analysis (AN) 2 marks</p> <p>Analysis points may include:</p> <ul style="list-style-type: none"> • Banks may be willing to lend SOL the money as their gearing ratio is only 20% so they may be seen as low risk. Also, the brothers can offer sufficient collateral to secure the new loan. Rising sales may convince the bank that SOL will be able to pay the interest, especially as rates are not predicted to rise in the next 12 months. However, their cash flow is unpredictable, and the hotels are threatening to switch supplier if late deliveries continue (although the banks do not know this). 			<p>3–4 marks for a Reasonable/Good Analysis OR Reasonable/Good Application.</p> <p>1–2 marks for a limited response, all knowledge.</p> <p>AO3</p> <p>3 marks for a sound judgement that is fully supported/justified.</p> <p>2 marks for a sound judgement that is partly supported/justified.</p> <p>1 mark for a limited judgement(s) with limited support/justification.</p> <p>0 marks for a judgement(s) without any supporting justification.</p>
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- The brothers may prefer not to borrow as they will have to put up their own assets as security and interest payments will cut profit margins.
- Retained profit is immediately available and carries no interest so profit margins can be maintained. It does not have to be repaid. The brothers would not have to put up their own assets as security so the risk on them is reduced. However, there is insufficient profit and there is an opportunity cost associated with using all the profit possibly increasing risk in the future.
- Leasing will allow the brothers to finance new equipment without having to pay interest or the opportunity cost associated with using all the profit. They do not have to find £25,000 all in one go. Regular payments may cut into their profit margins. Maintenance and repair are often included in a leasing agreement which should offset some of the leasing payments helping to maintain margins. However, the brothers will not own the equipment which will weaken the balance sheet. If they want to borrow in the future and if they cannot keep up the leasing payments it can be taken away and the business will not be able to continue.

AO3 – Evaluation (EV) 3 marks

EV1 Award 1 mark for an assessment of which source of finance is better that does not support with information from the case study.

Borrowing is best as it allows the retained profit to be available for the future/can buy the equipment so strengthening the balance sheet.

Biggest advantage of retained profit is it does not need to be repaid.

	<p>Borrowing incurs interest charges which will increase fixed costs.</p> <p>The biggest advantage of leasing is a large sum of money does not have to be found unlike if they buy the equipment.</p> <p>EV2 Award 2 marks where the learner has supported the assessment with some evidence from the case study.</p> <p>It makes sense to keep some of the retained profit should they want to take advantage of any unexpected opportunities which may happen as this is a growing market. However, borrowing incurs interest charges which legally have to be paid. Cash flow is unpredictable and they may find it difficult to pay the interest especially if hotels cancel orders leaving them with unused capacity. The brothers may see putting their own assets at risk too much of a 'price to pay' should the loan repayment fall due when there is a period of poor trading.</p> <p>Retained profit does avoid having to put their assets at risk but this is a fast-growing market and using all their retained profit could be a poor option long-term as it could potentially limit growth opportunities. Leasing would enable them to take advantage of growth opportunities as they would still have retained profit and it has the advantage that it provides some flexibility if the lease is not too long. Once the lease is up different equipment can be leased matching the needs of the business.</p> <p>EV3 Award 3 marks for a fully supported realistic assessment that makes a significant use of the stimulus materials.</p> <p>All 3 options will enable the business to get new equipment which is essential to help prevent any more breakdowns. The choice will depend on how they prioritise the factors and which they think</p>			
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	<p>carries the greatest risk. There is not sufficient profit to buy the equipment so borrowing of at least £5000 would have to be taken and having no profit to fall back on is a high-risk strategy. The business already has an existing loan, which even though there is only a year to pay it off, may mean financing solely through borrowing pushes the gearing level too high. I suggest they lease the equipment, on a 2 or 3-year lease if they can. In this way they can meet demand and assess whether the increase in sales is likely to continue. If in 2 years sales are still growing they may have more retained profit with no outstanding loans so they will be in a better position to buy the equipment.</p>			
Question 3				
3 (a)	<p>Answer – C Sales revenue</p>	AO1: 1 mark	1	
3 (b) (i)	<p>AO1 – 1 mark for the correct formula (this can be implied from learner using correct data in formula).</p> <p>Profit margin = [(selling price – average total cost)/selling price]X100%</p> <p>AO2 – 2 marks for correct use of figures and correct answer.</p> <p>(£1.60 - £1.20)/£1.20 X 100% (1mark)</p> <p>= 30% (1 mark)</p>	AO1: 1 marks AO2: 2 marks	3	
3 (b) (ii)	<p>AO1 – 1 mark for the correct formula (this can be implied in learner using correct data in formula).</p> <p>ATC + % ATC = new selling price</p> <p>AO2 – 2 marks for correct use of figures and correct answer.</p>	AO1: 1 marks AO2: 2 marks	3	

	<p>£1.20 + 40% x £1.20 (1 mark)</p> <p>= £1.68 (1 mark)</p>			
3 (c)	<p>AO1 – Knowledge (K) 2 marks</p> <p>Award one mark for an advantage and one mark for disadvantage of a decentralised structure.</p> <p>Advantage of a decentralised system Eg:</p> <ul style="list-style-type: none"> • Workers feel more motivated/improved job satisfaction. • Reduces stress and burden on senior management. • Better decision making as subordinates have better local knowledge. • Allows for increased flexibility and response to changes. <p>Disadvantages of a decentralised structure Eg:</p> <ul style="list-style-type: none"> • Lack of control from centre. • Decisions are made from a local viewpoint which may not be in the best interests of the business as a whole. • Decision-makers may have little experience in decision-making. • Poor communication due to many decision-makers. • Less likely to work in times of crisis when strong leadership is needed. <p>AO2 – Application (APP) 2 marks</p>	<p>AO1: 2 marks AO2: 4 marks AO3: 3 marks</p>	9	

	<p>In order to achieve APP marks learners MUST make some reference to the impact of these changes on the bakery/brothers/bakery managers.</p> <p>AO2 – Analysis (AN) 2 marks</p> <p>Managers feel more motivated and/or experience improved job satisfaction as they are given more responsibility, so are more likely to contribute to suggestions for improvement such as introducing celebration cakes to increase sales; however, there are 6 shops and responding to suggestions from all 6 managers will be time consuming. Managers may quickly stop making suggestions if they are not taken-up leading to demotivation and no improvement in absenteeism.</p> <p>Reduces stress and burden on the brothers as they are not having to deal with the day to day problems that are faced at the shop level. They can concentrate on making the decisions that have more far reaching impact, such as achieving their sales target of 15% per year; however, what appears to be a ‘minor’ decision made in the shop could have far reaching consequences for the bakery.</p> <p>Allowing managers to make own decisions may improve efficiency as they do not have to wait for a reply from the brothers so customer satisfaction may increase and sales increase; however, the brothers relinquish some of their control and decisions made quickly at a local level may not be in the best interests of the business as a whole.</p> <p>Better decision-making as shop managers have better local knowledge which could result in more accurate ordering reducing the waste loaves and cutting costs; however, managers may have little experience in decision-making so when doing their own</p>			
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ordering there may be an increase in leftover loaves, resulting in increased costs.

AO3 – Evaluation. (EV) 3 marks

EV1 Award 1 mark for an unsupported judgement as to how moving to a decentralised structure will have a positive and/or negative impact on SOL.

EV2 Award 2 marks for a partially supported judgement as to how moving to a decentralised structure will have a positive and/or negative impact on SOL.

EV3 Award 3 marks for a fully supported judgement as to how moving to a decentralised structure will have a positive and/or negative impact on SOL.

Learners may suggest:

EV1 Award 1 mark moving to a decentralised structure may improve motivation as they can now make decisions which improve sales but quality of decision making may be poor and sales may fall.

EV2

As EV1 plus:

It is important that the shop managers have full knowledge of the overall objectives of the firm and have some additional training in making effective decisions. They must be aware of the possible impact of their decisions on the business as a whole such as taking orders for celebration cakes. This may improve sales, but the bakery must have the ability to fill the orders otherwise the costs involved may outweigh the benefits.

	<p>EV3</p> <p>As EV2 plus: It is likely that as the business grows the brothers will have to decentralise to some extent. They will not have the time to manage all the decision-making at shop level as well as manage a growing business. However before implementing decentralisation it is important that shop managers are fully included in the implementation of the process and receive adequate training otherwise sales may grow but costs may rise even faster due to inefficiencies as a result of poor decision-making and lack of control from the centre.</p>			
Question 4				
4 (a)	Answer – B 2	AO1: 1 mark	1	
4 (b)	<p>AO1 – Knowledge (K) 3 marks</p> <p>Award 2 marks for 2 advantages. Award 1 mark for 1 disadvantage.</p> <p>Advantages Eg:</p> <ul style="list-style-type: none"> • Less space needed for storage. • Less risk of stock becoming out of date. • Less working capital tied up in stock. <p>Disadvantages Eg:</p> <ul style="list-style-type: none"> • If stock is not delivered on time production could be delayed. • Unable to meet sudden increases in demand. 	AO1: 3 marks AO2: 3 marks	6	

	<ul style="list-style-type: none"> • May need to change suppliers as current supplier may be unable to deliver supplies on demand. <p>AO2 – Analysis (AN)</p> <p>The learner will explain each advantage and disadvantage.</p> <p>Advantages Eg:</p> <ul style="list-style-type: none"> • Less space needed for storage (unlikely to be a valid development as storage space is not an issue). • Less risk of stock becoming out of date, reducing costs as currently ingredients are being thrown away as past their use by date. • Less working capital tied up in stock, which may improve the cash flow position, reducing overdraft costs. <p>Disadvantages Eg:</p> <ul style="list-style-type: none"> • If stock is not delivered on time production could be delayed and the bakery may be unable to meet demand which is unpredictable, so losing sales. • May lose discounts on bulk buying therefore profit margins may fall as variable costs increase. • Existing supplier imports from Europe. This increases the chance that there may be problems with deliveries to the existing supplier from Europe making it difficult to offer a reliable JIT service. 			
4 (c)	<p>AO1 – Knowledge (K) 2 marks Award 2 marks for correctly identifying 2 methods of external recruitment.</p>	<p>AO1: 2 marks AO2: 4 marks</p>	9	<p>AO1 and AO2 5–6 marks for a reasonable/good analysis AND reasonable/good Application.</p>

	<p>Possible answers include headhunting, newspapers, trade journals, careers fairs, shop windows, recruitment agencies, web-based, job centres, local radio.</p> <p>AO2 – Application (APP) 2 marks In order to achieve any APP marks learners MUST use the information in the question stem.</p> <p>Application could include:</p> <ul style="list-style-type: none"> • Appointment needs to be made quickly. • Low budget. • Prefers someone local. • Desirable competency of management skills. • Having the right skills is the most important thing. • Ahmed is short of time. • Poor retention rate of managers. • Low morale of staff. <p>AO2 – Analysis (AN) 2 marks</p> <p>Analysis points may include:</p> <ul style="list-style-type: none"> • Ahmed could advertise in the local paper. This is relatively cheap and would reach the people living in the local area which he wants. However not everybody gets the local paper and people looking for a managerial position in a shop may not think to look in the local paper as jobs advertised here are often low paid, non-managerial positions such as cleaners or care home assistants. • Advertising in the trade journal for bakeries could target an applicant with the right skills as they are the people who read these publications; however, placing an advert in a specialist magazine is more expensive than a local newspaper and Ahmed wants the candidate to have skills in managing 'a retail 	<p>AO3: 3 marks</p>		<p>3–4 marks for a reasonable/good analysis OR reasonable/good application.</p> <p>1–2 marks for a limited response, all knowledge.</p> <p>AO3</p> <p>3 marks for a sound judgement that is fully supported/justified.</p> <p>2 marks for a sound judgement that is partly supported/justified.</p> <p>1 mark for a limited judgement(s) with limited support/justification.</p> <p>0 marks for a judgement(s) without any supporting justification.</p> <p>Award an AO2 mark for any method of external recruitment but no additional marks for national newspaper or headhunting (unless it is clear that Ahmed visits rival shops to 'poach' a manager from there).</p>
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	<p>outlet' not necessarily a shop selling bread so this could be limiting the possible number of candidates.</p> <ul style="list-style-type: none"> • Using a recruitment agency will take the pressure off Ahmed as they will do the advertising and interviewing, saving Ahmed time. Using a recruitment agency that specialises in retail also means that there will be a wide pool of potential candidates with the right skills. Advertising using a recruitment agency will push up the costs which could go beyond his budget. • Ahmed could advertise using one of the online job websites such as Monster or LinkedIn. This is free and will reach a wide pool of potential applicants. The filtering systems will mean that the target audience will have the right skills for the job. It will mean that Ahmed has to spend time reviewing the applicants' CVs and there could be a lot of these given the wide reach of the websites. <p>AO3 – 3 marks for Evaluation.</p> <p>EV1 Award 1 mark for an appropriate choice of ONE method of recruitment but this is not supported by any information from the case study.</p> <p>EV2 Award 2 marks for an appropriate choice of 2 methods of recruitment and these are supported by some evidence from the case study.</p> <p>EV3 Award 3 marks for a full discussion of both options. There will be a fully supported realistic choice between the 2 methods that makes a significant use of the stimulus material.</p> <p>EV1 Choosing to advertise through the local paper is the best method as it is cheap and will reach the target audience. There may be</p>			
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	<p>somebody local looking to change jobs and always looks through the local paper.</p> <p>EV2 Award 2 marks where the learner has evaluated two options and how they are likely to improve cash flow.</p> <p>As EV1 plus Use a recruitment agency. Even though this is a more expensive option it ensures that the right people are targeted for the position increasing the chances that a suitable candidate will be found. The recruitment agency can filter the applicants according to the person specification supplied by Ahmed. They can do the interviewing and will be skilled at this, again increasing the likelihood of a suitable candidate.</p> <p>As EV2 plus: Both options will provide Ahmed with a manager for the shop. He wants to recruit quickly which may be achieved through using the local paper as all applications will go straight to him, he can interview and appoint very quickly and keep his spending down. But Ahmed has made 2 poor appointments in the past evidenced by poor retention rate of managers and poor morale of staff. If he chooses the recruitment agency, he is more likely to get a suitable candidate even if it takes longer and costs more. Ahmed could be lucky and select a suitable applicant through advertising in the local paper but there is less chance than through the recruitment agency. Ahmed should be prepared to increase his budget to reduce the risk of being in the same situation in 6 months' time.</p>			
Part B				

<p>Question 5</p>	<p>AO1 – Knowledge (K) 2 marks</p> <p>Award up to 2 knowledge marks for a learner's explanation of what constitutes the marketing mix or knowledge of the terms Boston Matrix/target market. The marketing mix describes the combination of product, place, price and promotion. Target market refers to the characteristics of consumers at whom a product or service is aimed. Boston Matrix enables a business to consider growth opportunities by reviewing its portfolio of products.</p> <p>AO2 – Application (APP) 4 marks</p> <p>Learners can provide answers relating to the points below.</p> <ul style="list-style-type: none"> • Fast growing market for pittas, bagels and wraps. • Local rivals do not offer these products/provides USP. • New target market for the business. • Target market are high income earners who are looking for an alternative to bread. • TM buying choices are heavily influenced by online reviews. • TM use Twitter and Instagram daily. • Trial period of a month. • Promotional budget of £500 <p>AO2 – Analysis (AN) 4 marks</p> <p>As this is a new service in a high-growth market, it is in the <u>question mark/problem child segment of the Boston matrix</u>. The products have potential, <u>as buying habits of consumers are changing</u> but will need substantial investment to grow market share. In this stage there is little to no product awareness so the bakery will need to use as many platforms as possible to reach its</p>	<p>AO1: 2 marks</p> <p>AO2: 8 marks</p> <p>AO3: 3 marks</p>	<p>13</p>	<p>Please see grid below Q6 for levels approach to marking Questions 5 and Question 6</p> <p>Once learner has indicated they understand product's position in the Boston Matrix answers that reference high market growth/new product can be taken to indicate position in the Boston Matrix</p>
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	<p><u>target market</u> of high-income earners. Placing ads on social media, particularly Instagram and Twitter, are most likely to be effective as these are the platforms used most frequently by their target market. They could also identify appropriate influencers to feature their pittas, bagels and wraps. Offering samples in the shop could provide opportunities to benefit from word of mouth through sharing on social media platforms. This will help keep within the promotional budget of £500 as the 'shares' will not add to the marketing cost the business.</p> <p>As this products' <u>target market</u> are high income earners and as there is currently <u>no competition</u> SOL can launch the products using a price skimming policy. This will enhance the high-quality image and high-income earners are unlikely to be put off by the high price. If the launch is successful the price can be maintained until rivals move in, which is likely as this is a <u>fast-growing market</u>.</p> <p>SOL is launching a new product that has no brand awareness. Price penetration may encourage the <u>target market</u> to buy the product for the first time. If the trial is successful customer loyalty can be built as there is currently <u>no competition</u> and prices can then be raised which may not deter customers especially as the target market are high income earners. However, <u>as consumer buying habits</u> are changing competition may move in quickly and SOL will be unable to raise prices if they wish to remain competitive.</p> <p>AO3 – Evaluation (EV) 3 marks</p> <p>EV1 will make a justified judgement, with reference to the case study, as to how one of the four factors (Boston Matrix, its target market, the change in buying habits of consumers, the level of competition) will affect the promotion and price element of the marketing mix.</p>			
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	<p>EV2 will make a justified judgement, with reference to the case study, as to how 2 of the 4 factors (Boston Matrix, its target market, the change in buying habits of consumers, the level of competition) will affect the promotion and price element of the marketing mix.</p> <p>EV3 will make a justified judgement, with reference to the case study, as to how at least 3 of the 4 factors (Boston Matrix, its target market, the change in buying habits of consumers, the level of competition) will affect the promotion and price element of the marketing mix.</p>			
Question 6	<p>AO1 – Knowledge (K) 2 marks The learner will demonstrate knowledge of franchise and private limited company.</p> <p>Franchise: franchisors sell the rights to their business logo, name, and model to third parties called franchisees. A private limited company is owned by shareholders who cannot publicly sell their shares.</p> <p>AO2 – Application (APP) 4 marks Candidates must use the information from the stimulus in relation the model and can include:</p> <ul style="list-style-type: none"> • Bakeries are one of the fastest growing sectors of the food industry. • Brexit causing recession. • Business has an established brand name locally/good reputation/repeat custom. • Brothers have strong knowledge on how to set-up a bakery. • Untapped markets in other parts of the country. • Potential to expand product range. 	<p>AO1: 2 marks</p> <p>AO2: 8 marks</p> <p>AO3: 3 marks</p>	13	<p>Please see grid below Q6 for levels approach to marking Questions 5 and Question 6</p>

	<ul style="list-style-type: none"> • Lack of brand awareness in other parts of the country. • Have never franchised an operation before. • Inconsistent cash flow. • Lack of experience in online selling. • Low retained profit. <p>AO2 – Analysis (AN) 4 marks</p> <p>Candidates analyse the advantages and disadvantages of any 2 of the choices of action.</p> <p>Expanding the business through franchising has the benefit that it can grow the business quickly, which is important to SOL as their target is 2 years. There is little retained profit and the franchisee will pay the brothers a royalty fee which reduces their need to rely on other funding such as borrowing. The brothers want to double current sales in 2 years that would suggest franchising at least another 6 shops. This will require a great deal of expertise that the brothers do not have. If the franchisees are not adequately trained and supported the shops could damage the reputation of the business leading to a drop-in sales in existing shops. There is no guarantee that there will be people willing to buy into the franchise as risk of recession may limit the number of people willing to take the risk of buying a franchise of a business who has no previous experience of doing this.</p> <p>Becoming a private limited company can bring in some of the additional funding required to open another bakery in another part of the country and to open some shops. However, it may not be enough as they will have to open a number of shops in 2 years if they want to reach their target. The brothers may still have to borrow. They have low gearing so the additional interest should not put the balance sheet at risk but inconsistent cash flow may put a strain on the working capital.</p>			<p>Award analysis marks for advantages/disadvantages of becoming an Ltd and/or opening another bakery</p>
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	<p>There would seem to be scope for replicating the business model as the market is fast-growing but this also means there may be a lot of competitors. In addition, bringing in additional shareholders could impact on the control that the brothers have.</p> <p>AO3 – Evaluation (EV) 3 marks</p> <p>EV1 will make a justified judgement, with reference to the case study, as to which option the brothers should choose</p> <p>EV2 will make a justified judgement, with reference to the case study, as to how 2 of the 4 factors (life cycle position, target market, rival campaigns, budget) will determine its chosen promotional mix.</p> <p>EV3 will make a justified judgement, with reference to the case study, as to how at least 3 of the 4 factors (life cycle position, target market, rival campaigns, budget) will determine its chosen promotional mix.</p> <p>The MARK SCHEME FOR Questions 5 and 6 Levels is shown below.</p>			
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EV3	3	Makes a sound judgement that is fully supported/justified
EV2	2	Makes a sound judgement that is partly supported/justified
EV1	1	Makes limited judgement(s) with limited support/justification
EV0	0	Makes a judgement(s) without any supporting justification
Level 5	9–10	Excellent Analysis and Excellent Application
Level 4	7–8	Sound/Good Analysis AND Sound/Good Application
Level 3	5–6	Limited/Reasonable Analysis AND Limited/Reasonable Application
Level 2	3–4	Limited/Reasonable Analysis OR Limited/Reasonable Application
Level 1	1–2	Limited response, mainly knowledge

Learners do not have to get to Level 5 before they can achieve EV marks.

It is possible that a learner will be at Level 4 or occasionally at Level 3 and still pick up EV1 or even EV2; however, it is unlikely that such learners would progress beyond EV2.

Very occasionally a learner may be at Level 1 (2 marks) and might achieve an EV1 mark.

In the Analysis section at Level 2 a limited response achieves 3 marks and a reasonable response achieves 4 marks.

Assessment Objective Grid

Question	A01	A02	A03	Total
1 (a)	1			1
1 (b)	3	3		6
1 (c)	2	4	3	9
2 (a)	1			1
2 (b) (i)	2			2
2 (b) (ii)		2		2
2 (c)	1	2		3
2 (d)	2	4	3	9
3 (a)	1			1
3 (b) (i)	1	2		3
3 (b) (ii)	1	2		3
3 (c)	2	4	3	9
4 (a)	1			1
4 (b)	3	3		6
4 (c)	2	4	3	9
5	2	8	3	13
6	2	8	3	13
TOTAL	27	46	18	91