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AQA A LEVEL BUSINESS (7132): QUESTIONS BY TOPIC

Decision making to improve marketing performance (3.3)

A Level Business (7132) · Section 3.3

88 questions · 621 marks · Mark schemes included

For the final AQA A Level Business (7132) exams in summer 2027

Questions from A Level (7132) and AS (7131) papers, June 2017 to June 2025.
The AS papers test the same specification content, so every question here is valid 7132 practice.

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HOW TO USE THIS BOOKLET

Questions are grouped by AQA specification sub-topic and run from the lowest mark tariff to the highest within each one.
At the same tariff: AS before A Level, then oldest series first. Each question part appears once only, with its own mark scheme.
Click any row below to jump to it. On every question page, click ANSWER for its mark scheme (and QUESTION to come back).
Pages are the original exam pages. Every case-study question has its full case study printed directly before it.
After the mark schemes, WHAT THE EXAMINERS SAID quotes AQA examiner reports. Use EXAMINER on a mark scheme page to jump there.

	QUESTION	SOURCE	MARKS	PAGE
3.3.1	**SETTING MARKETING OBJECTIVES**		14 Qs · 63 marks	**4**
1.	**Q1**	AS Paper 1 June 2017	1	**4**
2.	**Q9**	AS Paper 1 June 2022	1	**6**
3.	**Q10**	AS Paper 1 June 2024	1	**7**
4.	**Q1.2**	A Level Paper 2 June 2019	2	**8**
5.	**Q1**	AS Paper 2 June 2019	3	**11**
6.	**Q1**	AS Paper 2 June 2023	3	**15**
7.	**Q1**	AS Paper 2 June 2025	3	**18**
8.	**Q1.1**	A Level Paper 2 June 2017	3	**21**
9.	**Q1.3**	A Level Paper 2 June 2019	3	**24**
10.	**Q1.2**	A Level Paper 2 June 2022	3	**27**
11.	**Q13**	AS Paper 1 June 2023	4	**31**
12.	**Q17**	A Level Paper 1 June 2018	4	**32**
13.	**Q2**	A Level Paper 3 June 2024	12	**33**
14.	**Q8**	AS Paper 2 June 2023	20	**39**
3.3.2	**UNDERSTANDING MARKETS AND CUSTOMERS**		34 Qs · 173 marks	**44**
15.	**Q4**	AS Paper 1 June 2017	1	**44**
16.	**Q3**	AS Paper 1 June 2018	1	**46**
17.	**Q4**	AS Paper 1 June 2018	1	**48**
18.	**Q9**	AS Paper 1 June 2019	1	**49**
19.	**Q2**	AS Paper 1 November 2020	1	**50**
20.	**Q4**	AS Paper 1 June 2022	1	**51**
21.	**Q3**	AS Paper 1 June 2024	1	**52**
22.	**Q10**	AS Paper 1 June 2025	1	**53**
23.	**Q4**	A Level Paper 1 June 2019	1	**54**
24.	**Q14**	A Level Paper 1 November 2020	1	**55**
25.	**Q15**	A Level Paper 1 November 2020	1	**56**
26.	**Q9**	A Level Paper 1 November 2021	1	**57**
27.	**Q15**	A Level Paper 1 November 2021	1	**58**
28.	**Q8**	A Level Paper 1 June 2022	1	**59**

	QUESTION	SOURCE	MARKS	PAGE
29.	**Q7**	A Level Paper 1 June 2024	1	**60**
30.	**Q1.1**	A Level Paper 2 June 2019	2	**61**
31.	**Q1.1**	A Level Paper 2 June 2022	2	**64**
32.	**Q11**	AS Paper 1 June 2018	3	**67**
33.	**Q1.2**	A Level Paper 2 June 2017	3	**68**
34.	**Q2**	AS Paper 2 November 2020	4	**72**
35.	**Q3**	AS Paper 2 June 2023	4	**75**
36.	**Q14**	AS Paper 1 June 2024	4	**78**
37.	**Q3.1**	A Level Paper 2 June 2023	4	**79**
38.	**Q13**	AS Paper 1 June 2017	5	**80**
39.	**Q4**	AS Paper 2 June 2022	9	**82**
40.	**Q20**	A Level Paper 1 June 2017	9	**85**
41.	**Q3.3**	A Level Paper 2 November 2020	9	**87**
42.	**Q18**	A Level Paper 1 November 2021	9	**89**
43.	**Q1.4**	A Level Paper 2 June 2022	9	**90**
44.	**Q19**	A Level Paper 1 June 2023	9	**94**
45.	**Q6**	AS Paper 2 June 2019	16	**95**
46.	**Q1.5**	A Level Paper 2 June 2019	16	**100**
47.	**Q1.5**	A Level Paper 2 June 2022	16	**105**
48.	**Q22**	A Level Paper 1 June 2025	25	**110**
3.3.3	**MAKING MARKETING DECISIONS: SEGMENTATION, TARGETING...**		11 Qs · 75 marks	**116**
49.	**Q5**	AS Paper 1 June 2022	1	**116**
50.	**Q6**	AS Paper 1 June 2024	1	**117**
51.	**Q4**	AS Paper 1 June 2025	1	**118**
52.	**Q13**	A Level Paper 1 June 2022	1	**119**
53.	**Q3**	AS Paper 2 June 2022	4	**120**
54.	**Q1.3**	A Level Paper 2 June 2022	4	**123**
55.	**Q15**	AS Paper 1 June 2023	6	**127**
56.	**Q18**	A Level Paper 1 June 2023	9	**128**
57.	**Q5**	AS Paper 2 June 2017	16	**129**
58.	**Q16.2**	AS Paper 1 June 2025	16	**134**
59.	**Q2.4**	A Level Paper 2 June 2025	16	**139**
3.3.4	**MAKING MARKETING DECISIONS: USING THE MARKETING MIX**		29 Qs · 310 marks	**142**
60.	**Q1**	AS Paper 1 June 2018	1	**142**
61.	**Q6**	AS Paper 1 June 2019	1	**144**
62.	**Q9**	AS Paper 1 June 2023	1	**145**
63.	**Q13**	A Level Paper 1 June 2017	1	**146**
64.	**Q2**	A Level Paper 1 June 2019	1	**147**

	QUESTION	SOURCE	MARKS	PAGE
65.	**Q2**	A Level Paper 1 November 2020	1	**148**
66.	**Q5**	A Level Paper 1 November 2021	1	**149**
67.	**Q4**	A Level Paper 1 June 2025	1	**150**
68.	**Q3**	AS Paper 2 June 2018	4	**151**
69.	**Q3**	AS Paper 2 June 2024	4	**154**
70.	**Q17.1**	AS Paper 1 June 2018	9	**157**
71.	**Q16.1**	AS Paper 1 November 2020	9	**160**
72.	**Q4**	AS Paper 2 June 2025	9	**163**
73.	**Q3.2**	A Level Paper 2 June 2017	9	**166**
74.	**Q1**	A Level Paper 3 June 2018	12	**172**
75.	**Q1**	A Level Paper 3 November 2021	12	**178**
76.	**Q1**	A Level Paper 3 June 2022	12	**185**
77.	**Q17.2**	AS Paper 1 June 2019	16	**192**
78.	**Q6**	AS Paper 2 November 2020	16	**196**
79.	**Q16.2**	AS Paper 1 June 2022	16	**200**
80.	**Q16.2**	AS Paper 1 June 2023	16	**205**
81.	**Q7**	AS Paper 2 June 2025	16	**211**
82.	**Q2.4**	A Level Paper 2 November 2021	16	**215**
83.	**Q4**	A Level Paper 3 June 2023	16	**219**
84.	**Q1.4**	A Level Paper 2 June 2024	16	**226**
85.	**Q8**	AS Paper 2 June 2019	20	**231**
86.	**Q6**	A Level Paper 3 June 2017	24	**237**
87.	**Q21**	A Level Paper 1 June 2019	25	**243**
88.	**Q22**	A Level Paper 1 June 2022	25	**244**

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Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each answer completely fill in the circle alongside the appropriate answer.

CORRECT METHOD  WRONG METHODS 

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1 The sales revenue for a market has grown by 2% in 2016 compared with sales of £670 million in 2015.

What is the new sales revenue for the market?

A £13.4 million ⬭

B £672.0 million ⬭

C £683.4 million ⬭

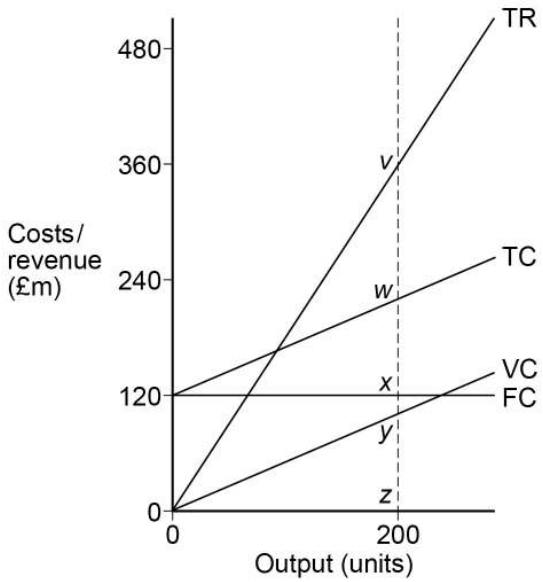
D £1340.0 million ⬭

[1 mark]



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0 2 The break-even chart below shows details of costs and revenue for a business.



At 200 units of output, profit is shown by the distance:

A vw ⬭

B vx ⬭

C vy ⬭

D vz ⬭

[1 mark]

Turn over for the next question

Do not write outside the box

0 7 Daily demand for the product was highest between days:

[1 mark]

A Day 0 to end of day 2 ⬭

B End of day 3 to end of day 4 ⬭

C End of day 4 to end of day 6 ⬭

D End of day 6 to end of day 10 ⬭

0 8 The lead time is one day. On which day was the reorder quantity changed?

[1 mark]

A Day 2 ⬭

B Day 3 ⬭

C Day 5 ⬭

D Day 6 ⬭

0 9 Which of the following formulae measures market growth in 2021?

[1 mark]

A $\frac{\text{Market sales in 2020} - \text{Market sales in 2021}}{\text{Market sales in 2021}} \times 100$ ⬭

B $\frac{\text{Market sales in 2020} - \text{Market sales in 2021}}{\text{Market sales in 2020}} \times 100$ ⬭

C $\frac{\text{Market sales in 2021} - \text{Market sales in 2020}}{\text{Market sales in 2021}} \times 100$ ⬭

D $\frac{\text{Market sales in 2021} - \text{Market sales in 2020}}{\text{Market sales in 2020}} \times 100$ ⬭

Do not write outside the box

0 8 Which of the following actions is most likely to improve profits in the **short-term**?

[1 mark]

A Increasing capital expenditure ⬭

B Increasing spending on marketing research ⬭

C Increasing the price of a good which has price inelastic demand ⬭

D Increasing training for employees in new production methods ⬭

0 9 Which **one** of the following is most likely to be the result of successful employee engagement?

[1 mark]

A Higher labour costs per unit ⬭

B Higher trade union membership ⬭

C Lower labour productivity ⬭

D Lower labour turnover ⬭

1 0 Company X has a 40% market share. The market size declines by 20%. There are no other changes. Company X's market share now is:

[1 mark]

A 32% ⬭

B 48% ⬭

C 50% ⬭

D 60% ⬭

10

Answer **all** questions in the spaces provided.

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Market research data on the UK Ready to Eat (RTE) breakfast cereals market

Appendix A Sales of the largest four manufacturers in the UK RTE breakfast cereal market in 2017

Appendix A cannot be reproduced here due to third-party copyright restrictions.

Appendix B Index of UK retail sales of RTE breakfast cereals, by value and volume, 2018–2023

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Appendix C Percentage of survey respondents selecting product features they think are important when choosing an RTE breakfast cereal

Appendix C cannot be reproduced here due to third-party copyright restrictions.

Sample: 1762 internet users aged 16+ who typically eat RTE breakfast cereal

Appendix D Percentage of market research survey respondents agreeing or disagreeing with a statement relating to RTE breakfast cereals

Appendix D cannot be reproduced here due to third-party copyright restrictions.

Sample: 1762 internet users aged 16+ who typically eat RTE breakfast cereal

Appendix E Data on Kellogg's global sales and advertising spending

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0 1 . 1 'The data in **Appendix E** shows that the fall in advertising spending by Kellogg's from 2013 to 2017 has caused lower sales.'

Explain why this statement might **not** be correct.

[2 marks]

2

0 1 . 2 **Appendix B** shows the actual and forecasted data for the value and the volume of sales of RTE breakfast cereals between 2018 and 2023.

Explain how it is possible for the value of sales to increase when the volume of sales is falling.

[2 marks]

2

0 1 . 3 Use **Appendix A** to calculate the combined market share of the largest four manufacturers of RTE cereals.

[3 marks]

3

Case study: Slow Fashion (AS Paper 2, June 2019 insert)
The full case study for Q1 (3 marks), which follows on the next pages. Read it before answering.

Slow Fashion

Many clothing companies succeed by using a 'fast fashion' business model: selling seasonal, cheap, low-quality items that are often manufactured in low-cost countries such as Bangladesh. This practice is used by retailers promoting the latest designs.

As a senior buyer for a high street clothing retailer, Claudia Bryant had responsibility for sourcing clothing and negotiating contracts with suppliers from many countries. She was successful in her work by securing low-cost deals.

On 24 April 2013, over 1,130 people were killed when the Rana Plaza factory complex collapsed in Dhaka, Bangladesh. 2,500 more were injured. The people crushed under those eight floors were working for familiar fashion brands in unsafe conditions.

Rana Fashion

In 2013 Claudia was shocked by the Rana Plaza disaster. She believed that it was the fault of the 'fast fashion' business model – something she no longer wanted to be a part of.

She resigned from her job to set up her own online clothing retail business, centred on ethical objectives. The business (Rana Fashion) is a private limited company with Claudia owning 60% of the shares. The remaining shares are owned by a Bangladeshi charity, ensuring that at least 40% of the annual profits support charitable projects in Bangladesh.

The clothes are traditional designs that do not go out of fashion. All are made to last and fabrics are ethically sourced, eg fair-trade cotton. They are manufactured by suppliers in Bangladesh – many with personal links to the Rana Plaza disaster. Each supplier is a small independent family-run business.

Claudia is keen to trade ethically, in contrast with leading retailers, as shown below.

Rana Fashion's approach:	'Fast fashion' approach:
• pay promptly to help the suppliers' cash flow	• delay payments to help their own cash flow
• buy and store extra inventory – this allows better capacity utilisation for suppliers	• buy only enough to meet projected demand as old inventory goes 'out of fashion'
• have long term contracts with suppliers – allowing suppliers to plan for their future.	• new contracts each season – in search of lower priced deals.

Rana Fashion garments are sold at a high price. If customers spend over £100 they can pay over 10 months without any interest. Last year 25% of sales were made this way.

Rana Fashion sells directly to consumers worldwide through e-commerce, removing the need for high street retailers. The UK is its biggest market. However, Claudia is pleased that sales in the USA and Europe have recently shown steady growth.

No budget is allocated to promotion. Claudia relies on media coverage to promote her brand. She has been interviewed by many newspapers, radio stations and online news providers when journalists have been reporting on ethical fashion. This has proved successful as the readers and audiences have views that are closely aligned with the business objectives.

Rana Fashion invested heavily in its website and is very active on social media, with increasing numbers of loyal customers sharing links which are often seen by hundreds of thousands of like-minded people.

The business has large levels of inventory and efficient warehousing is vital. The warehouse manager is a key member of staff and Claudia has designed this job role to have delegated responsibility for the day-to-day running of the warehouse.

Rana Fashion outsources its increasingly wide and complex distribution function to international distribution companies such as UPS. These ongoing contracts have specific targets for customer service, based on delivery times such as 48 hours across the UK and Europe. UPS delivers to over 220 countries, including every address in North America and Europe.

Financially, Rana Fashion has been profitable with rising profit margins, but faces regular cash flow problems. A financial adviser believed that Rana Fashion's business model made the cash flow problems difficult to resolve and had two suggestions to help.

Suggestion A:	**Suggestion B:**
Delay payment to suppliers by paying invoices as late as possible.	Use debt factoring of customer credit.

Appendices continue on the next page

Figure 1: Overall UK and US clothing sales 2012–2017 (Index numbers, 2013 = 100)

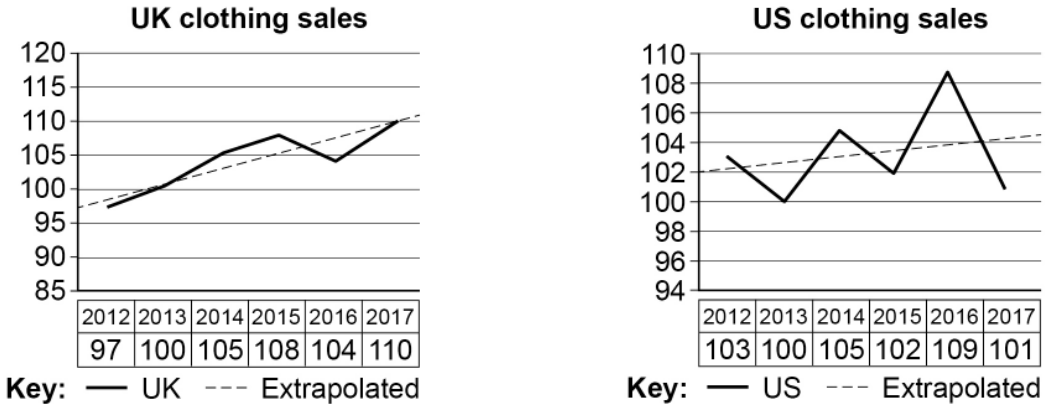


Figure 2: Estimated elasticity data

	'Fast fashion'	Ethical fashion
Income elasticity of demand	+0.6	+1.4
Price elasticity of demand	-1.3	-0.8

Figure 3: Predicted changes in income levels

	UK	USA	Europe
2019	+2.5%	+4.0%	+3.2%
2020	+2.0%	+3.5%	+3.0%

END OF SOURCE

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This question is based on the case study: Slow Fashion
AS Paper 2, June 2019 insert. Printed in full on the pages just before this one (from page 11).

< CASE STUDY

Do not write outside the box

Answer **all** questions.

Read the **source** in the **insert booklet.**

0 1 Using **Figure 1**, calculate the percentage change of UK clothing sales from 2015 to 2016.

[3 marks]

3

0 2 The budgeted profit for Rana Fashion in 2018 was £2 946 000. Using the data below, calculate the profit variance for Rana Fashion in 2018. State whether it is adverse or favourable.

[4 marks]

	Actual
Sales revenue	£5 600 000
Costs:	
Inventory	£2 300 000
Warehousing	£200 000
Distribution	£126 000
IT	£170 000
Other	£180 000

Workings

Budgeted profit variance

Adverse/favourable?

4

Case study: Boss Balloons Ltd (AS Paper 2, June 2023 insert)
The full case study for Q1 (3 marks), which follows on the next pages. Read it before answering.

Boss Balloons Ltd

Boss Balloons Ltd (BB) creates balloon displays for events such as children's parties, weddings and store openings. BB is owned by Zoe, who set the business up after seeing a gap in the local market. BB sells its products through its website and via social media, which it also uses for its marketing. BB's prices range from £50 for the smallest balloon display to £950 for large displays for events such as weddings. Customers pay a small deposit to secure their order and pay the balance once they have received the display. BB often experiences cash flow issues due to Zoe taking on lots of big orders at once.

BB has been trading for five years and has experienced steady growth. BB has recently introduced cakes and sweets to go with the balloon displays. Zoe originally created the displays in her garage. With the increase in demand that BB experienced, more space was needed and BB is now run from a small workshop, rented at a high cost each month.

Zoe is the manager of BB and oversees the day-to-day running of the business. There are 10 employees, who Zoe has trained to create the displays to a high standard. The global and UK market for balloon displays has grown rapidly. BB has experienced a big increase in local competition from other balloon businesses. This means customers have lots of choice when deciding which balloon company to use. BB is considered to be a more expensive option; Zoe feels this is justified as she produces high-quality displays. The company has a history of excellent customer reviews.

Table 1: Balloon display market data

	Price elasticity of demand	Average price of a small balloon display	Average price of a large balloon display	Average wage per hour
UK market	–1.3	£38	£700	£9.00
BB Ltd	–0.5	£50	£950	£10.50
Main rival	–0.9	£45	£800	£9.50

The future

Raising finance

A larger workshop is needed for storage and assembly to accommodate the growth of BB.
A venture capitalist, Jack, wants a 30% share of BB in return for providing the full price for the new workshop. Jack wants to be hands-on and has many years' experience in marketing and events management. He believes that having the right marketing objectives is key to success, with external factors being more important than internal factors when setting these objectives. His experience and knowledge are something that Zoe likes as she wants to expand into new markets. Zoe is concerned about giving up full control of the business she started.
An alternative is to take out a 10-year bank loan; the monthly loan repayments are less than the rent she is currently paying for the existing workshop.

Regular contract

BB has been offered a contract with a local hotel to supply balloon displays for weddings. This is a three-year contract with fixed prices agreed below BB's current display prices. This would be guaranteed weekly income. The hotel balloon displays require many hours' work. This will take some employees away from working on the one-off orders of a much higher value that may come in.

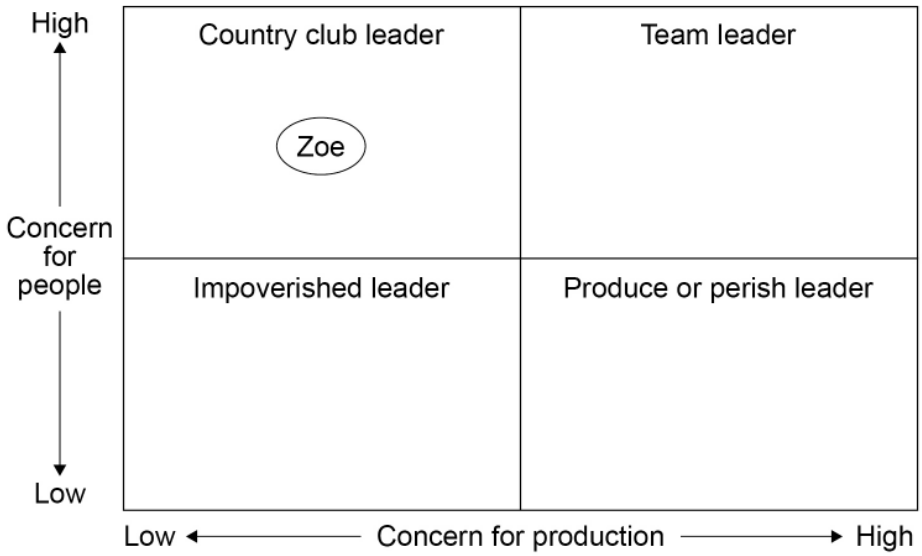
Outsourcing catering

Providing the cakes and sweets to go with the balloon displays has not gone well. Only one of the employees is able to create these products to a high standard. There have recently been complaints received from customers about the quality of these products. There is little added value to making and selling the cakes with the balloons, but more customers are demanding that their displays come with these items. Zoe does not want to lose these customers to competitors. An option is to outsource the catering orders to a local bakery with good reviews, so that staff can focus on providing high-quality balloon displays.

New manager

Zoe needs to employ a manager so that she can focus on making decisions about the future of the business. Zoe believes her management style is that of a 'country club leader', as shown in **Appendix A**. Zoe is considering employing a manager with a different management style. This is because in the last few months at BB there have been some motivation issues that have resulted in reduced productivity. BB has had recent high rates of absenteeism amongst staff and this has led to some balloon orders being sent out late and bad reviews on the website.

Appendix A: Blake Mouton grid



END OF SOURCE

This question is based on the case study: Boss Balloons Ltd
AS Paper 2, June 2023 insert. Printed in full on the pages just before this one (from page 15).

< CASE STUDY

Answer **all** questions.

Read the **source** in the **Insert**.

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0 1

Figure 1: Global balloon market values

2020	2021	2022
$227 million	$260 million	$287 million

The UK balloon market accounted for 25% of the global market in 2020 and 30% of the global market in 2022.

Using **Figure 1**, calculate the percentage increase in the size of the UK balloon market between 2020 and 2022.

Give your answer to **two** decimal places.

[3 marks]

Extra space

3

Case study: Hoods Ltd (AS Paper 2, June 2025 insert)
The full case study for Q1 (3 marks), which follows on the next pages. Read it before answering.

Hoods Ltd

Hoods Ltd designs, manufactures and sells hoodies and other sportswear to retailers in the UK and Europe. Hoods Ltd was set up in 2002 by an entrepreneur, Habib. The business is successful and has grown quickly. It has four factories in the UK.

The product portfolio for Hoods Ltd has grown in the last three years. It now includes tracksuits, t-shirts and swimwear, as well as the original hoodie design. The clothes are made from high-quality materials. Hoods Ltd sources these from suppliers that use ethically sourced raw materials.

Habib started Hoods Ltd with the aim of wanting the business to be different from regular sportswear businesses. Hoods Ltd competes against global brands. These brands spend heavily on promotion. Habib decided to only use suppliers that sign up to Fair Trade and other similar agreements. Habib created a mission statement that he feels has set Hoods Ltd apart from other brands.

Hoods Ltd mission statement: 'Hoods Ltd only uses ethically sourced raw materials. This ensures excellent quality for our clothes and shows our commitment to being part of a more sustainable world.'

Using Fair Trade suppliers means that Hoods Ltd pays premium prices for materials. In the last year, the cost of materials has increased drastically. Habib has reassured the shareholders that these cost increases can be passed on to customers. He believes the Hoods Ltd brand and the quality of the clothes are strong enough to justify any price increase.

The marketing manager, Clara, is concerned that Hoods Ltd relies too heavily on repeat customers and is not promoting the company sufficiently. Following a recent dip in sales, Clara wants to increase the spending on promotion to reach more customers. Hoods Ltd has a website and Instagram account but these are not regularly updated. Habib does not agree with Clara and sees the dip as a temporary issue. He feels that the brand is well established in the market and that the clothes will 'sell themselves'. Habib estimates that the price elasticity of demand for Hoods Ltd's products is –0.1

Hoods Ltd employs 70 production staff who work in one of the four factories across the UK. Each factory has a site manager. The site managers regularly complain that they are not trusted to make decisions for their sites. Last week one of them left the business to work for a competitor. Habib is the majority shareholder and manages the company. His role includes setting and analysing all of the operational budgets for the company. Recently, Habib has struggled to manage this workload and decision-making has been slow. He is considering delegating the control of the budgets to the site managers which means they will allocate and decide how the money is spent.

The company has always generated healthy profits and had positive cash flow. However, in the last two years, there have been some major cash flow issues. One of the large retail customers for Hoods Ltd closed down without paying for its recent orders. The finance manager, Parvin, believes that many of Hoods Ltd's retail customers value the 60 days they have to pay for their orders. Parvin, therefore, suggests that Hoods Ltd should take out an overdraft, despite knowing that interest rates are currently high and may increase. Some of the shareholders are worried that this financial situation may continue and have asked Habib to urgently look at the cash flow position.

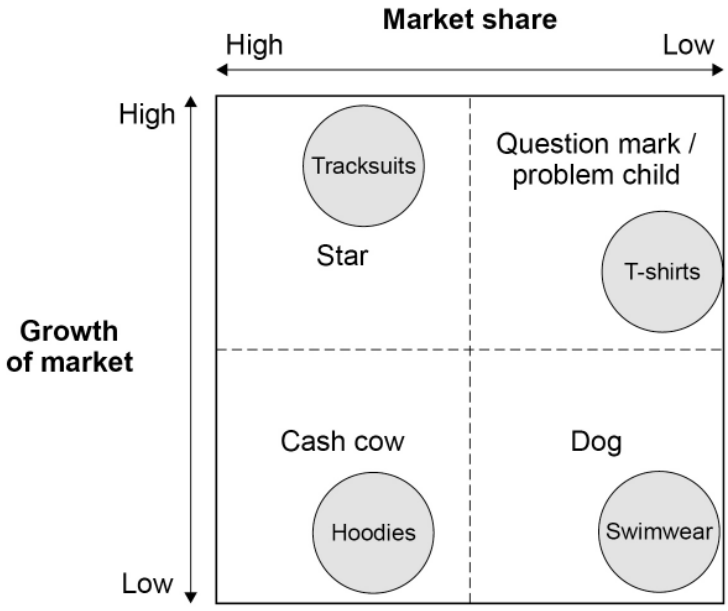
Figure 1: Financial data for 2022 to 2024

	2022 £m	2023 £m	2024 £m
Sales revenue	5.75	6.21	6.90
Cost of sales	4.30	4.60	5.07

Figure 2: Average time taken for customers to pay (days)

	2022	2023	2024
Hoods Ltd	60	60	60
Industry average	60	45	30

Figure 3: Hoods Ltd Boston matrix product portfolio 2025



END OF SOURCE

This question is based on the case study: Hoods Ltd

AS Paper 2, June 2025 insert. Printed in full on the pages just before this one (from page 18).

< CASE STUDY

Answer **all** questions.

Read the **source** in the **Insert**.

Do not write outside the box

0 1 Using the data in **Figure 1**, calculate the percentage change in sales revenue from 2022 to 2024.

[3 marks]

3

0 2 Using the data in **Figure 1**, calculate the gross profit margin in 2024.

[3 marks]

3

Do not write outside the box

Answer **all** questions in the spaces provided.

0 1 **The rise of the discount food retailers**

For many years four companies have dominated food retailing sales in the UK: Asda, Morrisons, Sainsbury's and Tesco. However, these 'big four' retailers have faced growing competition from discount retailers such as Aldi and Lidl.

Figure 1: Total UK food retail sales

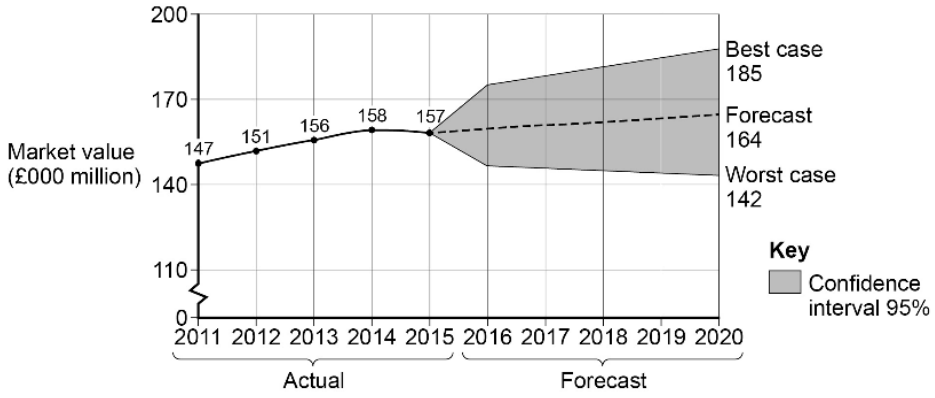
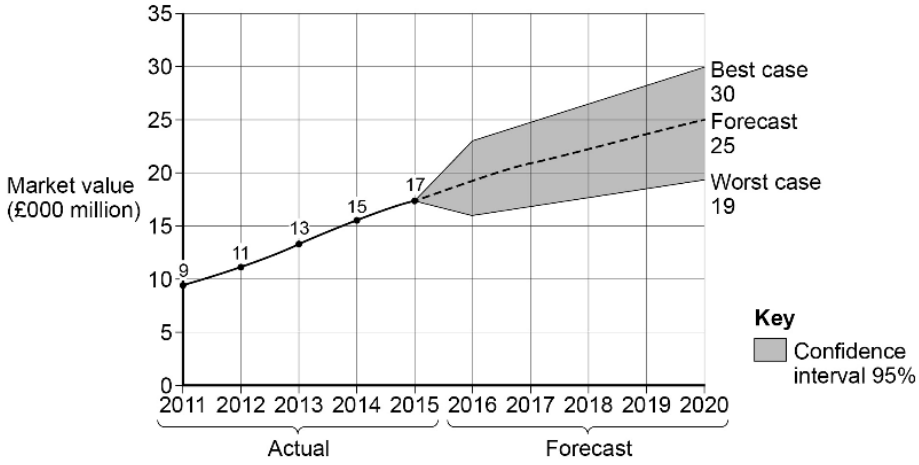


Figure 2: UK food retail sales of discount food retailers



Do not write outside the box

Figure 3: A comparison of the 'big four' model with the discounter model

	The typical discounter model eg Aldi, Lidl	**'big four' model eg Tesco, Sainsbury's**
Product range in stores	Relatively small eg 800 items	Large eg 50 000 items
Brands	Large proportion of own label products traditionally targeting low to medium income earners	Large proportion of well-known brands traditionally targeting high to medium income earners
Sales of food compared to non-food items (eg clothing and health and beauty products)	80%:20%	60%:40%
Administration costs and overheads as percentage of turnover	15%	20%
Typical profit margin	3%	2%

Figure 4: Market map of the UK food retail sector

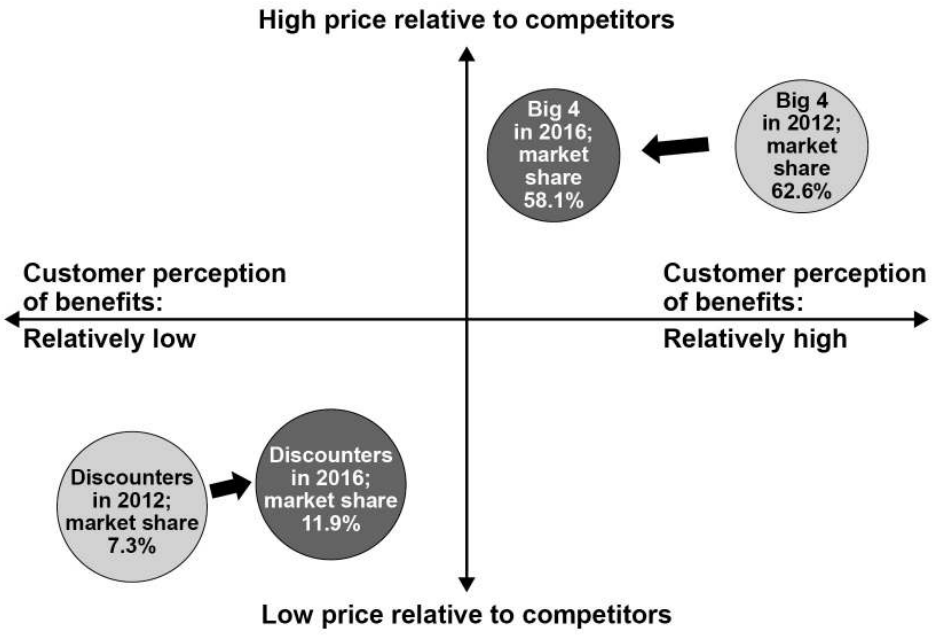


Figure 5: Extract from consumer survey:

"What benefit is most important in determining where you shop?"

Benefit	**% of replies**
I can rely on what I need being in stock	16
It has a good range of non-food products	17
It has well trained, helpful staff readily available	18
The stores are well designed and maintained	14

Do not write outside the box

Figure 6: Company and Human Resource Data

	Aldi Stores Ltd (discount retailer) 2014	**Tesco (one of the 'big four') 2014**
Turnover	£6 893 million	£ 54 443 million
Profit for the year	£250 million	£162 million
Average salary per employee	£21 272	£14 452
Total employee costs	£507 million	£6 968 million
Number of employees	23 858	482 152

0 1 . 1 Calculate the market share of the discount retailers in the UK food retail market in 2015.

[3 marks]

Market share _____

Workings _____

3

0 1 . 2 With reference to **Figure 1**, explain the meaning of 95% confidence interval in the forecast for UK food retail market in 2020.

[3 marks]

3

Answer **all** questions in the spaces provided.

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Market research data on the UK Ready to Eat (RTE) breakfast cereals market

Appendix A Sales of the largest four manufacturers in the UK RTE breakfast cereal market in 2017

Appendix A cannot be reproduced here due to third-party copyright restrictions.

Appendix B Index of UK retail sales of RTE breakfast cereals, by value and volume, 2018–2023

Appendix B cannot be reproduced here due to third-party copyright restrictions.

Do not write outside the box

Appendix C Percentage of survey respondents selecting product features they think are important when choosing an RTE breakfast cereal

Appendix C cannot be reproduced here due to third-party copyright restrictions.

Sample: 1762 internet users aged 16+ who typically eat RTE breakfast cereal

Appendix D Percentage of market research survey respondents agreeing or disagreeing with a statement relating to RTE breakfast cereals

Appendix D cannot be reproduced here due to third-party copyright restrictions.

Sample: 1762 internet users aged 16+ who typically eat RTE breakfast cereal

Appendix E Data on Kellogg's global sales and advertising spending

Appendix E cannot be reproduced here due to third-party copyright restrictions.

Do not write outside the box

0 1 . 1 'The data in **Appendix E** shows that the fall in advertising spending by Kellogg's from 2013 to 2017 has caused lower sales.'

Explain why this statement might **not** be correct.

[2 marks]

2

0 1 . 2 **Appendix B** shows the actual and forecasted data for the value and the volume of sales of RTE breakfast cereals between 2018 and 2023.

Explain how it is possible for the value of sales to increase when the volume of sales is falling.

[2 marks]

2

0 1 . 3 Use **Appendix A** to calculate the combined market share of the largest four manufacturers of RTE cereals.

[3 marks]

3

Answer **all** questions in the spaces provided.

Do not write outside the box

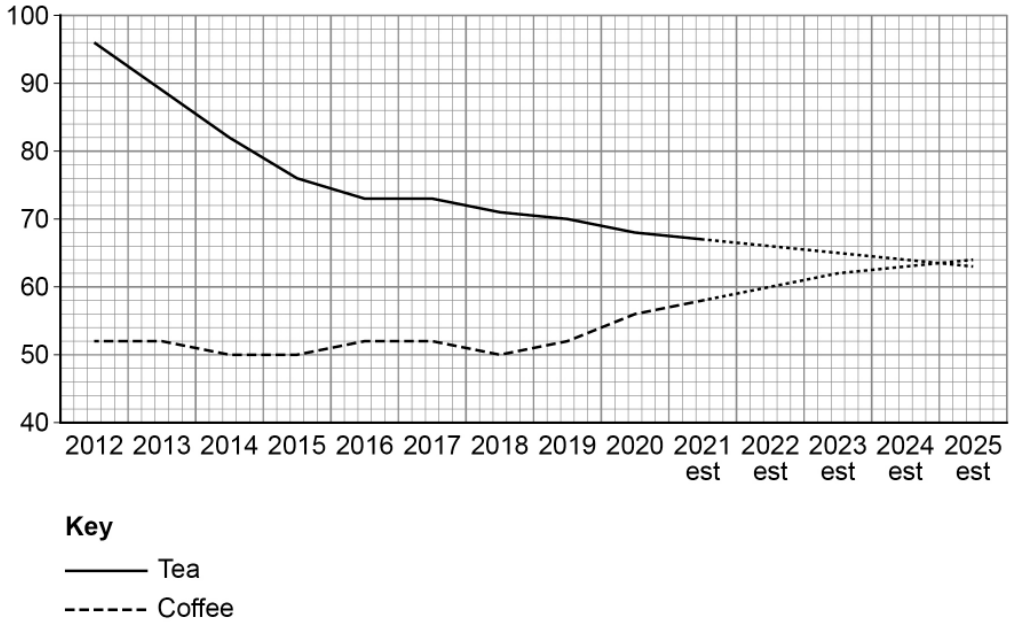
0 1 Read the information below and then answer the questions that follow.

The UK tea market

Tea drinking in the UK is declining as younger customers choose alternatives such as coffee. Extrapolation of the annual sales suggests that coffee will outsell tea in the UK by 2025.

Within the overall tea market traditional black tea still dominates sales. However, a 'health tea' niche made up of fruit, herbal and green teas is growing. This niche has benefitted from its association with wellbeing.

Appendix A Annual sales volume of black tea and coffee (million kg), UK (actual sales 2012–2020; estimated sales 2021–2025)



Do not write outside the box

Appendix B UK tea brands 2019

Rank	Brand	Annual Sales (£m)	% change	Type of tea in range
1	Twinings	108	+3.8	Black and health tea
2	PG Tips	99	−7.2	Mainly black, with small new health tea range
3	Taylors (including Yorkshire Tea)	98	+5.0	Black and health tea
4	Tetley	90	+0.4	Mainly black but some health tea
5	Pukka	23	+15.4	Organic and ethical black and health teas
	Other tea brands	144		

Appendix C Price elasticity of demand data

Type of tea	Price elasticity of demand
Black tea	−1.2
Health teas	−0.5

Turn over for Appendix D

Do not write outside the box

Appendix D Selected data from recent market research survey

How often do you drink black tea? (% of respondents)			
	Overall	**Age 18–24**	**Age over 65**
Several times a day	42	25	56
Once a day	15	16	16
2–3 times per week	10	14	5
Occasionally	12	17	7
Never	21	28	16

Do you drink health tea? (% of respondents)	
	Yes
Female	32
Male	19

How important is it that the tea you buy is ethically sourced, eg fair trade? (% of respondents)	
Important	62
Not very important	26
Not at all important	12

0 1 . 1 What is meant by the term extrapolation?

[2 marks]

2



Do not write outside the box

0 1 . 2 Using **Appendix B**, calculate the combined market share of the top four tea brands in 2019.

[3 marks]

3

0 1 . 3 Using the data in **Appendix D**, explain **one** benefit of the use of market segmentation to a business selling tea.

[4 marks]

4

Turn over for the next question

Do not write outside the box

1 3 The table below shows data for the market for a product in 2020.

Business	Sales (2020)	Sales growth (2021)
X	£40 million	10%
Y	£100 million	50%
Z	£186 million	0%
All other businesses	£170 million	0%
Total market size	£496 million	?

Calculate the market share of Business X in 2021.

[4 marks]

4

1 4 Explain **one** benefit to a newly established business of producing a budget.

[4 marks]

4

Do not write outside the box

Section B

Answer **all** questions in this section.

The data below shows the weekly output and costs of a single-product firm and should be used for **Question 16**.

- Total costs = £80 000
- Profit = £20 000
- Labour costs = 42% of turnover
- Labour costs per unit = 84 pence
- Labour productivity = 25 units per employee

1 6 Calculate the weekly output of the firm in units.

[4 marks]

4

1 7 In 2007, a business had sales of £10 million in a market with a size of £125 million. In 2017 the business's sales were £12.6 million and its market share was 6%.

Calculate the percentage growth in the size of the market between 2007 and 2017.

[4 marks]

4

Case study: Speed-e-Puds Ltd (A Level Paper 3, June 2024 insert)
The full case study for Q2 (12 marks), which follows on the next pages. Read it before answering.

Sanjay opened the first branch of Speed-e-Puds Ltd after seeing the huge growth in the dessert parlour market during the last 10 years. Driven by franchise brands such as Creams and Treatz, there are now just over 500 dessert parlours in the UK, serving waffles, pancakes and ice cream in eat-in restaurants.

Sanjay has developed a patented waffle maker, the 'SuperWaffler', which cooks perfect waffles in less than half the time of other waffle makers. This innovation is central to Speed-e-Puds Ltd's customer offer – 'desserts as tasty as anywhere, served twice as fast' – a unique selling point that appeals to its target market of young families and teenagers.

Despite his engineering background, Sanjay sees himself primarily as an entrepreneur. Sanjay now owns three successful Speed-e-Puds Ltd branches just one year after he opened his first. All three branches are very busy throughout the day, operating at high levels of capacity utilisation. This success has made Sanjay impatient to grow the business further. He believes that a Speed-e-Puds Ltd outlet in 75 cities in the UK would enable him to achieve the marketing objective he has set:

> Achieve a 15% share of the UK dessert parlour market in the next three years

A new product?

Sanjay is considering offering a new product through his Speed-e-Puds Ltd branches – slushies. These flavoured, crushed-ice drinks are served from a large machine that would take up a significant proportion of the counter in each Speed-e-Puds Ltd branch. Detailed financial information on the slushy machines has been provided by the slushy machine supplier and is shown in **Appendix B**.

Sanjay's personal financial objective is to achieve a return on investment of 25% on any money invested in his business.

Growth

Sanjay knows that opening new branches is critical to achieve his marketing objective. He faces a choice over which method of growth to use:

Option 1

Sanjay could retain tight control over Speed-e-Puds Ltd by growing purely organically. All new branches would be part of the Speed-e-Puds Ltd organisation, with Sanjay frequently meeting the managers that he appoints to run these branches.

Option 2

Sanjay could sell Speed-e-Puds Ltd franchises to entrepreneurs who are interested in owning their own Speed-e-Puds Ltd franchised outlet. In return for an initial franchise fee and a monthly payment of 10% of revenue, franchisees would be allowed to use Sanjay's patented 'SuperWaffler'. Franchisees would also receive training and support for running their business and Speed-e-Puds Ltd would provide national advertising of the brand.

Sanjay produced a SWOT analysis for his business to help him with the decision provided in **Appendix C**.

Appendix A Speed-e-Puds Ltd financial data for last year (three branches)

Revenue	£750 000
Operating profit	£200 000
Cash	£20 000
Current ratio	0.2 : 1
Gearing ratio	90%
Total equity	£100 000
Average start-up cost per branch	£100 000

Appendix B Slushy machines

Initial cost of buying each slushy machine	£750
Contribution per slushy	95p
Slushy machine supplier's forecast of number of slushies sold per branch per year	3600
Increased electricity usage each year per branch	£3000

The machines are expected to have a useful life of five years.

Turn over for Appendix C

Appendix C Sanjay's SWOT analysis of Speed-e-Puds Ltd:

Strengths:	**Weaknesses:**
• strong branding • faster cooking and service times than rivals due to 'SuperWaffler'.	• reliance on Sanjay's hands-on management style • lower gross profit margins than rivals.
Opportunities:	**Threats:**
• the dessert parlour market has grown by an average of 20% per year over the last five years • many cities have no specialist dessert parlour.	• healthy eating concerns remain a threat for all dessert parlours • demand is highly income elastic.

END OF SOURCES

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This question is based on the case study: Speed-e-Puds Ltd
A Level Paper 3, June 2024 insert. Printed in full on the pages just before this one (from page 33).

< CASE STUDY

Do not write outside the box

0 2 Sanjay has a marketing objective of achieving a 15% market share within 3 years.

Analyse the factors that influenced Sanjay's decision to set his marketing objective at a 15% market share.

[12 marks]

6

Do not write outside the box

Extra space

7

Do not write outside the box

12

Case study: Boss Balloons Ltd (AS Paper 2, June 2023 insert)
The full case study for Q8 (20 marks), which follows on the next pages. Read it before answering.

Boss Balloons Ltd

Boss Balloons Ltd (BB) creates balloon displays for events such as children's parties, weddings and store openings. BB is owned by Zoe, who set the business up after seeing a gap in the local market. BB sells its products through its website and via social media, which it also uses for its marketing. BB's prices range from £50 for the smallest balloon display to £950 for large displays for events such as weddings. Customers pay a small deposit to secure their order and pay the balance once they have received the display. BB often experiences cash flow issues due to Zoe taking on lots of big orders at once.

BB has been trading for five years and has experienced steady growth. BB has recently introduced cakes and sweets to go with the balloon displays. Zoe originally created the displays in her garage. With the increase in demand that BB experienced, more space was needed and BB is now run from a small workshop, rented at a high cost each month.

Zoe is the manager of BB and oversees the day-to-day running of the business. There are 10 employees, who Zoe has trained to create the displays to a high standard. The global and UK market for balloon displays has grown rapidly. BB has experienced a big increase in local competition from other balloon businesses. This means customers have lots of choice when deciding which balloon company to use. BB is considered to be a more expensive option; Zoe feels this is justified as she produces high-quality displays. The company has a history of excellent customer reviews.

Table 1: Balloon display market data

	Price elasticity of demand	Average price of a small balloon display	Average price of a large balloon display	Average wage per hour
UK market	–1.3	£38	£700	£9.00
BB Ltd	–0.5	£50	£950	£10.50
Main rival	–0.9	£45	£800	£9.50

The future

Raising finance

A larger workshop is needed for storage and assembly to accommodate the growth of BB.
A venture capitalist, Jack, wants a 30% share of BB in return for providing the full price for the new workshop. Jack wants to be hands-on and has many years' experience in marketing and events management. He believes that having the right marketing objectives is key to success, with external factors being more important than internal factors when setting these objectives. His experience and knowledge are something that Zoe likes as she wants to expand into new markets. Zoe is concerned about giving up full control of the business she started.
An alternative is to take out a 10-year bank loan; the monthly loan repayments are less than the rent she is currently paying for the existing workshop.

Regular contract

BB has been offered a contract with a local hotel to supply balloon displays for weddings. This is a three-year contract with fixed prices agreed below BB's current display prices. This would be guaranteed weekly income. The hotel balloon displays require many hours' work. This will take some employees away from working on the one-off orders of a much higher value that may come in.

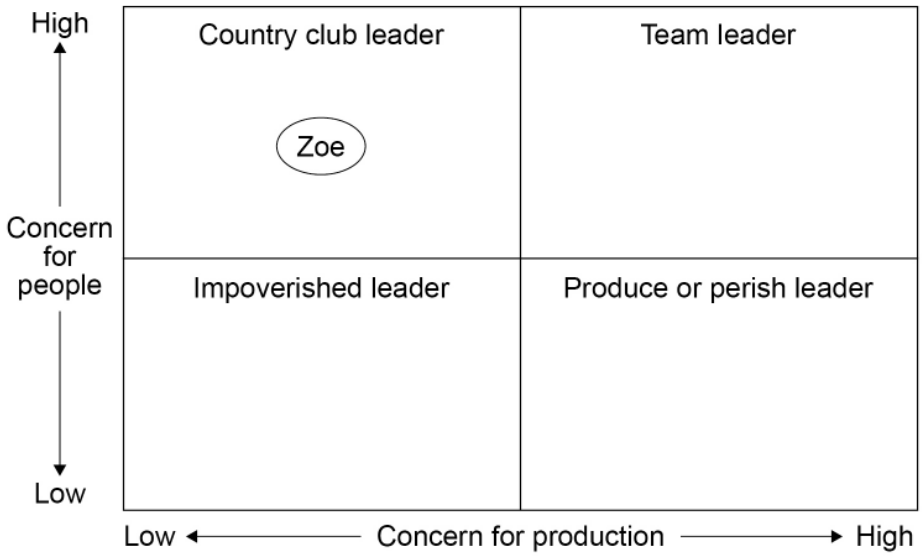
Outsourcing catering

Providing the cakes and sweets to go with the balloon displays has not gone well. Only one of the employees is able to create these products to a high standard. There have recently been complaints received from customers about the quality of these products. There is little added value to making and selling the cakes with the balloons, but more customers are demanding that their displays come with these items. Zoe does not want to lose these customers to competitors. An option is to outsource the catering orders to a local bakery with good reviews, so that staff can focus on providing high-quality balloon displays.

New manager

Zoe needs to employ a manager so that she can focus on making decisions about the future of the business. Zoe believes her management style is that of a 'country club leader', as shown in **Appendix A**. Zoe is considering employing a manager with a different management style. This is because in the last few months at BB there have been some motivation issues that have resulted in reduced productivity. BB has had recent high rates of absenteeism amongst staff and this has led to some balloon orders being sent out late and bad reviews on the website.

Appendix A: Blake Mouton grid



END OF SOURCE

This question is based on the case study: Boss Balloons Ltd

AS Paper 2, June 2023 insert. Printed in full on the pages just before this one (from page 39).

< CASE STUDY

Do not write outside the box

0 8 ‘For **all** businesses, external factors are more important than internal factors when setting marketing objectives.’

To what extent do you agree with this statement?

[20 marks]

12

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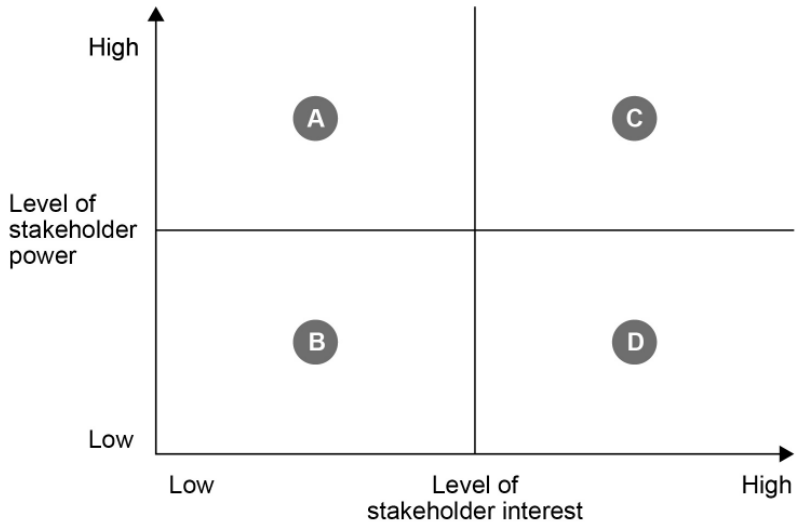
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END OF QUESTIONS

20

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0 3 Use the stakeholder map below to choose the stakeholder group that is the least likely to influence management decision making.



A A ⬭

B B ⬭

C C ⬭

D D ⬭

[1 mark]

0 4 A 10% increase in the price of a product causes a 20% fall in the quantity demanded. This relationship between the price and the quantity demanded of the product shows:

A Negative correlation and price elastic demand ⬭

B Negative correlation and price inelastic demand ⬭

C Positive correlation and price elastic demand ⬭

D Positive correlation and price inelastic demand ⬭

[1 mark]

Do not write outside the box

0 5 Which of the following sources of finance is used primarily for short-term uses?

A Debt factoring ⬭

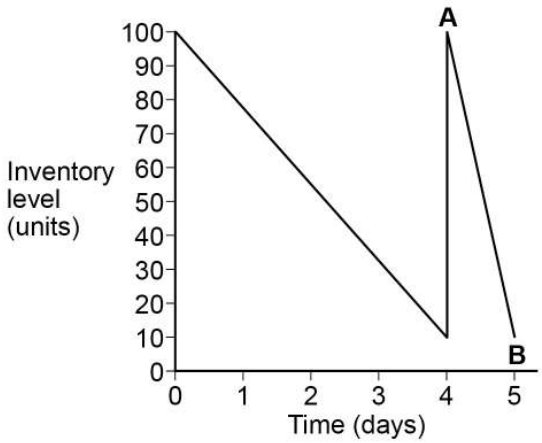
B Share capital ⬭

C Sale of buildings ⬭

D Venture capital ⬭

[1 mark]

0 6 In the diagram below the change in the level of inventory between points **A** and **B** indicates that there was:



A An increase in the quantity demanded by customers ⬭

B An increase in the lead time ⬭

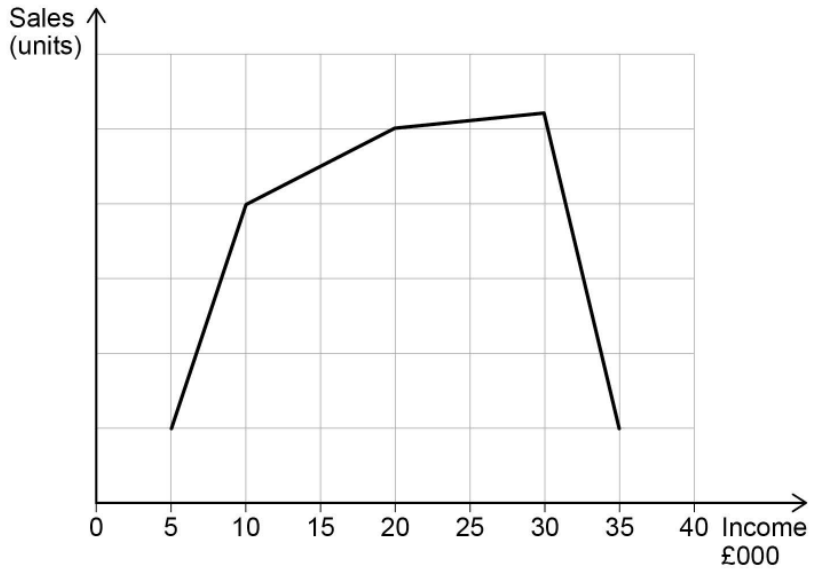
C An increase in the re-order quantity ⬭

D An increase in the maximum level of inventory ⬭

[1 mark]

Do not write outside the box

0 3 In the diagram below, demand for the product is most income inelastic between income levels of



A £5 000 and £10 000 ⬭

B £10 000 and £20 000 ⬭

C £20 000 and £30 000 ⬭

D £30 000 and £35 000 ⬭

[1 mark]

Do not write outside the box

0 4 Which of the following statements is true?

A If sales volume is falling but sales revenue is increasing the price is falling. ⬭

B If price increases and sales volume falls there is a negative correlation between price and sales volume. ⬭

C A product life cycle diagram shows the sales of a product in relation to the price. ⬭

D Selling a product on credit increases both revenue and cash immediately. ⬭

[1 mark]

0 5 Statement 1: 'In a very centralised retail organisation, local shop managers decide on the store design.'

Statement 2: 'In a decentralised retail organisation, local shop managers decide on the items of inventory to be held.'

Read statements 1 and 2 and select the correct option from the following options:

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

[1 mark]

Turn over for the next question

Do not write outside the box

0 4 Which of the following statements is true?

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B If price increases and sales volume falls there is a negative correlation between price and sales volume. ⬭

C A product life cycle diagram shows the sales of a product in relation to the price. ⬭

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[1 mark]

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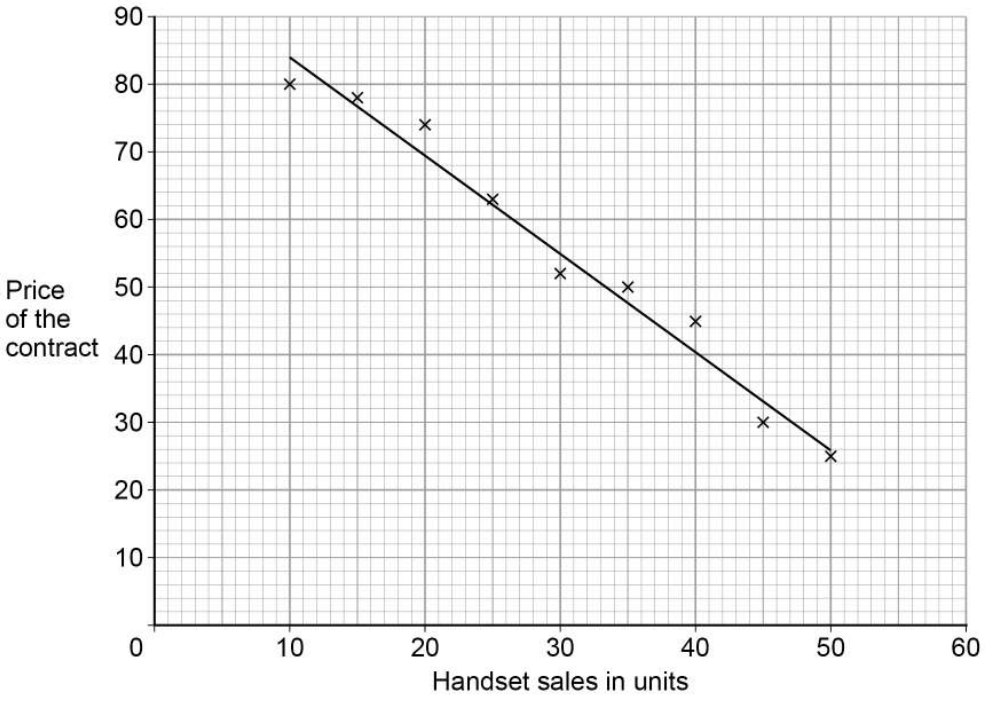
[1 mark]

Turn over for the next question

Do not write outside the box

0 9 The scatter diagram, **Figure A**, shows the relationship between the price of mobile phone contracts and the sale of handsets.

Figure A



The diagram indicates that between the price of contracts and sale of handsets there is a

A strong positive correlation. ⬭

B strong negative correlation. ⬭

C weak positive correlation. ⬭

D weak negative correlation. ⬭

[1 mark]

Turn over for the next question

Do not write outside the box

Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD  WRONG METHODS 

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1 A business moves an employee to a different job.

This is known as

[1 mark]

A delayering ⬭

B delegating ⬭

C redeployment ⬭

D redundancy ⬭

0 2 A supplier asks 200 consumers to explain why they like its products. The supplier passes their responses on to a retailer.

For the retailer this is an example of

[1 mark]

A qualitative, primary market research. ⬭

B qualitative, secondary market research. ⬭

C quantitative, primary market research. ⬭

D quantitative, secondary market research. ⬭



Do not write outside the box

0 3 **Statement 1**: 'According to Blake Mouton, a middle-of-the-road leader has a greater concern for production than a country club leader.'

Statement 2: 'According to Blake Mouton, an impoverished leader has a greater concern for production than a team leader.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 4 Sales revenue will stay the same if:

[1 mark]

A prices rise by 5% and the price elasticity of demand is 0 ⬭

B prices rise by 10% and the price elasticity of demand is −1 ⬭

C incomes rise by 5% and the income elasticity of demand is −1 ⬭

D incomes rise by 10% and the income elasticity of demand is −0.1 ⬭

0 5 A business's target market is based on young people who frequently visit gyms. This business is using which of the following types of market segmentation?

[1 mark]

A Behavioural and demographic ⬭

B Behavioural and income ⬭

C Demographic and geographic ⬭

D Income and demographic ⬭

Do not write outside the box

0 3 A product has demand that is price inelastic. The business selling this product is most likely to:

[1 mark]

A set a high price and use penetration pricing. ⬭

B set a high price and use price skimming. ⬭

C set a low price and use penetration pricing. ⬭

D set a low price and use price skimming. ⬭

0 4 The directors of a public limited company may change it to a private limited company to:

[1 mark]

A access more funds from the stock exchange. ⬭

B gain limited liability. ⬭

C increase the number of potential shareholders. ⬭

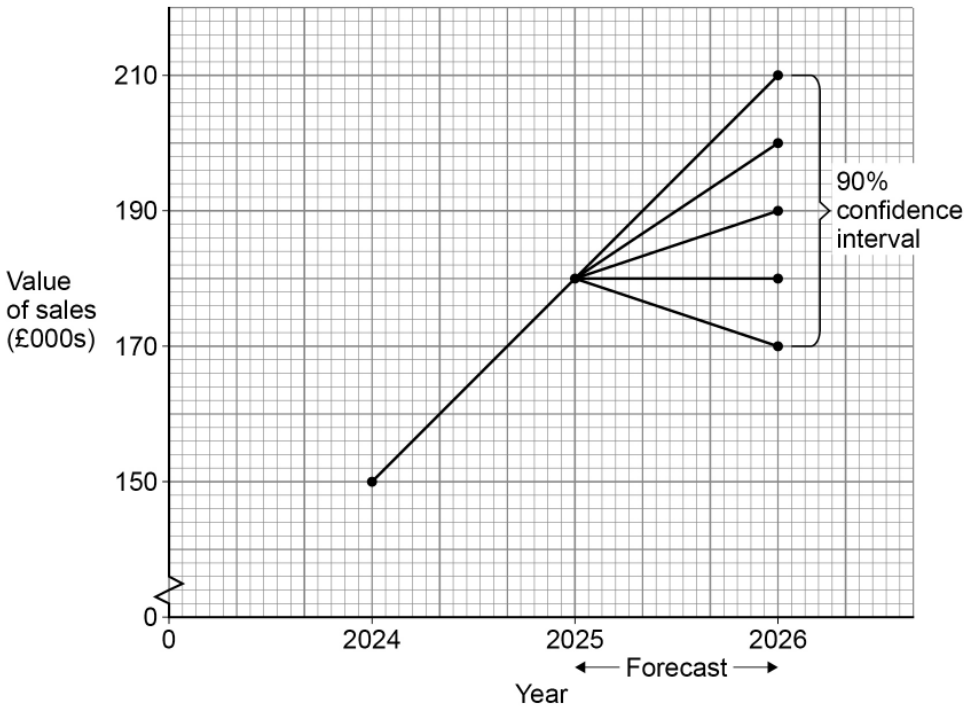
D reduce the level of legal regulations required. ⬭

Turn over for the next question

Do not write outside the box

1 0 **Figure 2** shows a company's sales forecast for 2026.

Figure 2



Which of the following statements is **true**?

[1 mark]

A The probability that sales in 2026 will be between £170 000 and £210 000 is 90%. ⬭

B The probability that sales in 2026 will be greater than in 2025 is 90%. ⬭

C There is a 10% probability of sales in 2026 being lower than £170 000. ⬭

D There is a 90% probability of sales in 2026 being greater than £190 000. ⬭

10

Turn over for Section B

Do not write outside the box

0 3 A business replaces some of its workforce with machinery. This leads to a 10% increase in capacity and output and a 5% increase in unit costs. This is an example of

A more capital intensive production and economies of scale. ⬭

B more capital intensive production and diseconomies of scale. ⬭

C more labour intensive production and economies of scale. ⬭

D more labour intensive production and diseconomies of scale. ⬭

[1 mark]

0 4 A good has a negative income elasticity of demand and a negative price elasticity of demand.

Statement 1: 'Other things being equal, a fall in consumer incomes must lead to a fall in sales volume for this good.'
Statement 2: 'Other things being equal, a fall in price must lead to a rise in sales value for this good.'

Read statements 1 and 2 and select the correct option from the following

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

[1 mark]

Turn over for the next question

Do not write outside the box

1 3 A business's competitive advantage is based on innovation. Hofstede's national cultures model includes indices for uncertainty avoidance (UAI) and power distance (PD).

Based only on Hofstede's national cultures, this business would benefit most from locating in a country with

[1 mark]

A a high UAI index and a high PD index. ⬭

B a high UAI index and a low PD index. ⬭

C a low UAI index and a high PD index. ⬭

D a low UAI index and a low PD index. ⬭

1 4 **Statement 1**: 'Usually there is a negative correlation between changes in consumers' incomes and changes in the quantity demanded of a product.'

Statement 2: 'Usually there is a positive correlation between changes in the price of a competitor's product and changes in the quantity demanded of a product.'

Read statements 1 and 2 and select the correct option from the following options.

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

Turn over for the next question

Do not write outside the box

1 5 A business sells four products.

The table below shows the price elasticity of demand and income elasticity of demand for the four products.

Product	Price elasticity of demand	Income elasticity of demand
A	–1.5	–1
B	–1.5	+1
C	–0.5	–1
D	–0.5	+1

A year ago, all four products had identical sales volumes. Since then, each product has had the same percentage cut in price and there has also been a fall in consumer incomes.

Which **one** of these products has the highest sales volume now?

[1 mark]

A Product A ⬭

B Product B ⬭

C Product C ⬭

D Product D ⬭

15

Do not write outside the box

0 8 **Table 1** below shows efficiency ratios for four different companies.

Table 1 Efficiency ratios for four companies

Ratios	Company			
	A	**B**	**C**	**D**
Payables days	35 days	35 days	25 days	25 days
Receivables days	25 days	25 days	35 days	35 days
Inventory turnover (times)	15	10	15	10

Based on these ratios, which company is most likely to have the best cash flow?

[1 mark]

A Company A ⬭

B Company B ⬭

C Company C ⬭

D Company D ⬭

0 9 A business introduces two strategies (X and Y) to improve profits:

Strategy X: Focusing on selling goods with a positive income elasticity of demand.
Strategy Y: Reducing unit costs through economies of scope.

Statement 1: 'Strategy X will not be effective if GDP declines.'

Statement 2: 'Strategy Y will only be possible if the business produces a wider range of products.'

Read statements 1 and 2 and select the correct option from the following options.

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

Do not write outside the box

1 4 An employee resists change because it will not help her personally. The business overcomes her resistance by offering her a role in managing the change. This is an example of using:

[1 mark]

A coercion to overcome fear and misunderstanding. ⬭

B coercion to overcome self-interest. ⬭

C manipulation to overcome fear and misunderstanding. ⬭

D manipulation to overcome self-interest. ⬭

1 5 **Statement 1**: 'A prediction based on a strong, negative correlation will have a higher confidence level than one based on a weak, positive correlation.'

Statement 2: 'A business will base extrapolation on its qualitative market research.'

Read statements 1 and 2 and select the correct option from the following option:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

15

Turn over for Section B

Do not write outside the box

0 6 Stated below are three possible changes for a business.

1. A reduction in wage levels.
2. An increase in labour productivity.
3. An increase in labour turnover.

Other things being equal, which of the following changes is the most likely to lead to an increase in employee costs as a percentage of turnover?

[1 mark]

A 1 and 2 only ⬭

B 2 and 3 only ⬭

C 2 only ⬭

D 3 only ⬭

0 7 The owner of a business which sells hot drinks asks a focus group of customers for their views. This market research reveals that customers prefer to have cakes with their drinks. In terms of Ansoff's matrix, the subsequent decision to introduce cakes is an example of:

[1 mark]

A diversification, resulting from qualitative market research. ⬭

B diversification, resulting from quantitative market research. ⬭

C product development, resulting from qualitative market research. ⬭

D product development, resulting from quantitative market research. ⬭

0 8 A product's price rises by 20% and its sales volume falls by 10%. All of its competitors leave their prices unchanged. The product's market share, as measured by sales volume, remains the same.

Which of these statements is **false**?

[1 mark]

A The market size, measured by volume, remains unchanged. ⬭

B The product's market share, measured by value, increases. ⬭

C The product's price elasticity of demand is inelastic. ⬭

D The product's sales value rises. ⬭

Do not write outside the box

0 6 **Statement 1**: 'According to Ansoff's matrix, market development involves selling a new product in a new market.'

Statement 2: 'According to Ansoff's matrix, market penetration involves selling an existing product in an existing market.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 7 Assuming no other changes, sales revenue for a product will stay the same if:

[1 mark]

A incomes rise by 10% and the income elasticity of demand for the product is 0 ⬭

B incomes rise by 10% and the income elasticity of demand for the product is +0.1 ⬭

C the price rises by 10% and the price elasticity of demand for the product is 0 ⬭

D the price rises by 10% and the price elasticity of demand for the product is –10 ⬭

Answer **all** questions in the spaces provided.

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Market research data on the UK Ready to Eat (RTE) breakfast cereals market

Appendix A Sales of the largest four manufacturers in the UK RTE breakfast cereal market in 2017

Appendix A cannot be reproduced here due to third-party copyright restrictions.

Appendix B Index of UK retail sales of RTE breakfast cereals, by value and volume, 2018–2023

Appendix B cannot be reproduced here due to third-party copyright restrictions.

Do not write outside the box

Appendix C Percentage of survey respondents selecting product features they think are important when choosing an RTE breakfast cereal

Appendix C cannot be reproduced here due to third-party copyright restrictions.

Sample: 1762 internet users aged 16+ who typically eat RTE breakfast cereal

Appendix D Percentage of market research survey respondents agreeing or disagreeing with a statement relating to RTE breakfast cereals

Appendix D cannot be reproduced here due to third-party copyright restrictions.

Sample: 1762 internet users aged 16+ who typically eat RTE breakfast cereal

Appendix E Data on Kellogg's global sales and advertising spending

Appendix E cannot be reproduced here due to third-party copyright restrictions.

Do not write outside the box

0 1 . 1 'The data in **Appendix E** shows that the fall in advertising spending by Kellogg's from 2013 to 2017 has caused lower sales.'

Explain why this statement might **not** be correct.

[2 marks]

2

0 1 . 2 **Appendix B** shows the actual and forecasted data for the value and the volume of sales of RTE breakfast cereals between 2018 and 2023.

Explain how it is possible for the value of sales to increase when the volume of sales is falling.

[2 marks]

2

0 1 . 3 Use **Appendix A** to calculate the combined market share of the largest four manufacturers of RTE cereals.

[3 marks]

3

Answer **all** questions in the spaces provided.

Do not write outside the box

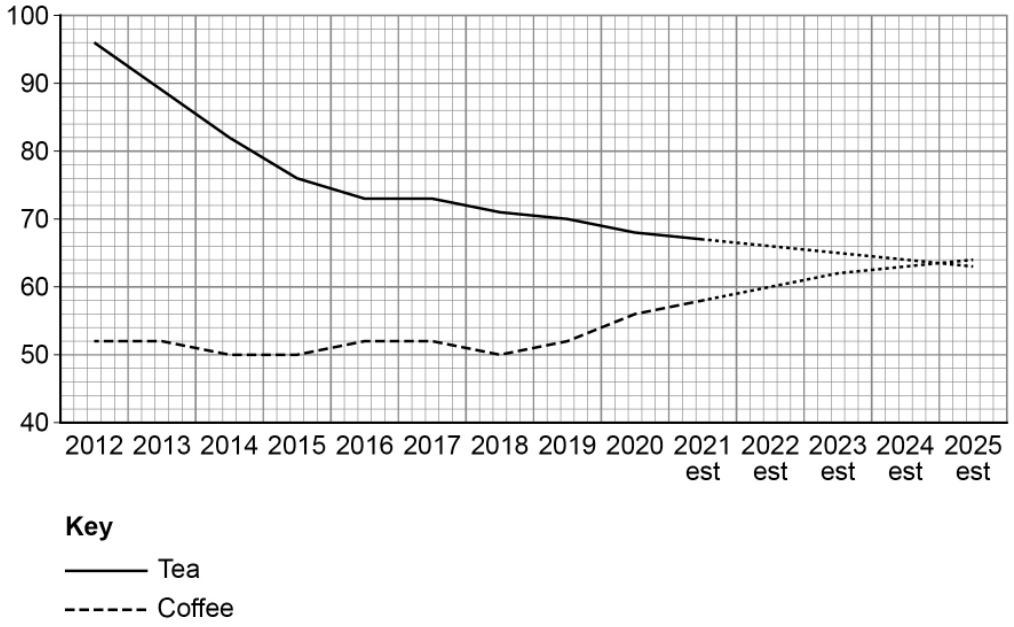
0 1 Read the information below and then answer the questions that follow.

The UK tea market

Tea drinking in the UK is declining as younger customers choose alternatives such as coffee. Extrapolation of the annual sales suggests that coffee will outsell tea in the UK by 2025.

Within the overall tea market traditional black tea still dominates sales. However, a 'health tea' niche made up of fruit, herbal and green teas is growing. This niche has benefitted from its association with wellbeing.

Appendix A Annual sales volume of black tea and coffee (million kg), UK (actual sales 2012–2020; estimated sales 2021–2025)



Do not write outside the box

Appendix B UK tea brands 2019

Rank	Brand	Annual Sales (£m)	% change	Type of tea in range
1	Twinings	108	+3.8	Black and health tea
2	PG Tips	99	−7.2	Mainly black, with small new health tea range
3	Taylors (including Yorkshire Tea)	98	+5.0	Black and health tea
4	Tetley	90	+0.4	Mainly black but some health tea
5	Pukka	23	+15.4	Organic and ethical black and health teas
	Other tea brands	144		

Appendix C Price elasticity of demand data

Type of tea	Price elasticity of demand
Black tea	−1.2
Health teas	−0.5

Turn over for Appendix D

Do not write outside the box

Appendix D Selected data from recent market research survey

How often do you drink black tea? (% of respondents)			
	Overall	**Age 18–24**	**Age over 65**
Several times a day	42	25	56
Once a day	15	16	16
2–3 times per week	10	14	5
Occasionally	12	17	7
Never	21	28	16

Do you drink health tea? (% of respondents)	
	Yes
Female	32
Male	19

How important is it that the tea you buy is ethically sourced, eg fair trade? (% of respondents)	
Important	62
Not very important	26
Not at all important	12

0 1 . 1 What is meant by the term extrapolation?

[2 marks]

2

Do not write outside the box

Section B

Answer **all** questions in this section.

1 1 A manager of a business wants to increase its revenue. She estimates the price elasticity of demand for its products is –0.2. Explain whether the manager should decrease or increase prices.

[3 marks]

Extra space

3

Turn over for the next question

Do not write outside the box

Answer **all** questions in the spaces provided.

0 1 **The rise of the discount food retailers**

For many years four companies have dominated food retailing sales in the UK: Asda, Morrisons, Sainsbury's and Tesco. However, these 'big four' retailers have faced growing competition from discount retailers such as Aldi and Lidl.

Figure 1: Total UK food retail sales

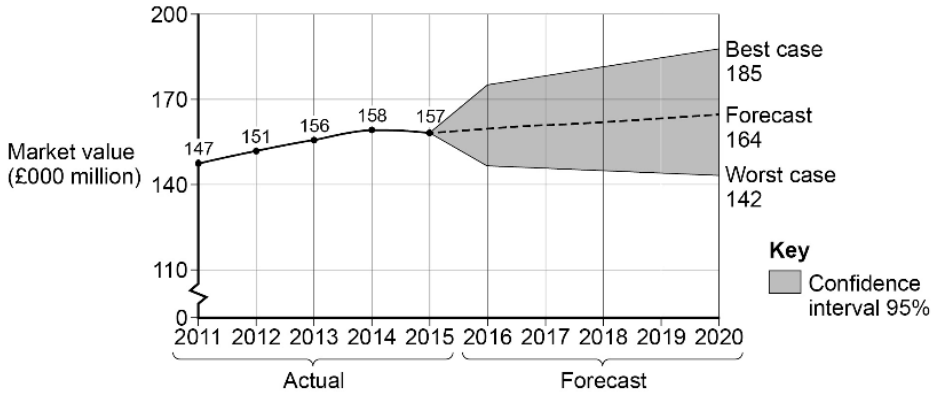
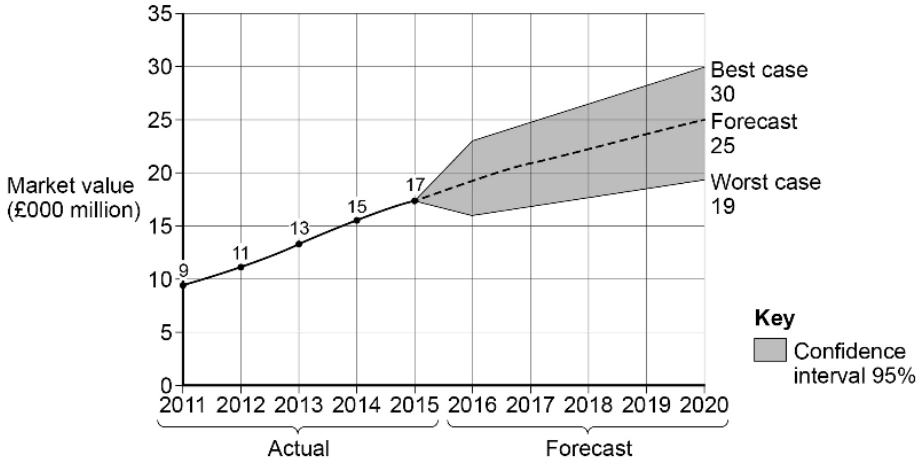


Figure 2: UK food retail sales of discount food retailers



Do not write outside the box

Figure 3: A comparison of the 'big four' model with the discounter model

	The typical discounter model eg Aldi, Lidl	**'big four' model eg Tesco, Sainsbury's**
Product range in stores	Relatively small eg 800 items	Large eg 50 000 items
Brands	Large proportion of own label products traditionally targeting low to medium income earners	Large proportion of well-known brands traditionally targeting high to medium income earners
Sales of food compared to non-food items (eg clothing and health and beauty products)	80%:20%	60%:40%
Administration costs and overheads as percentage of turnover	15%	20%
Typical profit margin	3%	2%

Figure 4: Market map of the UK food retail sector

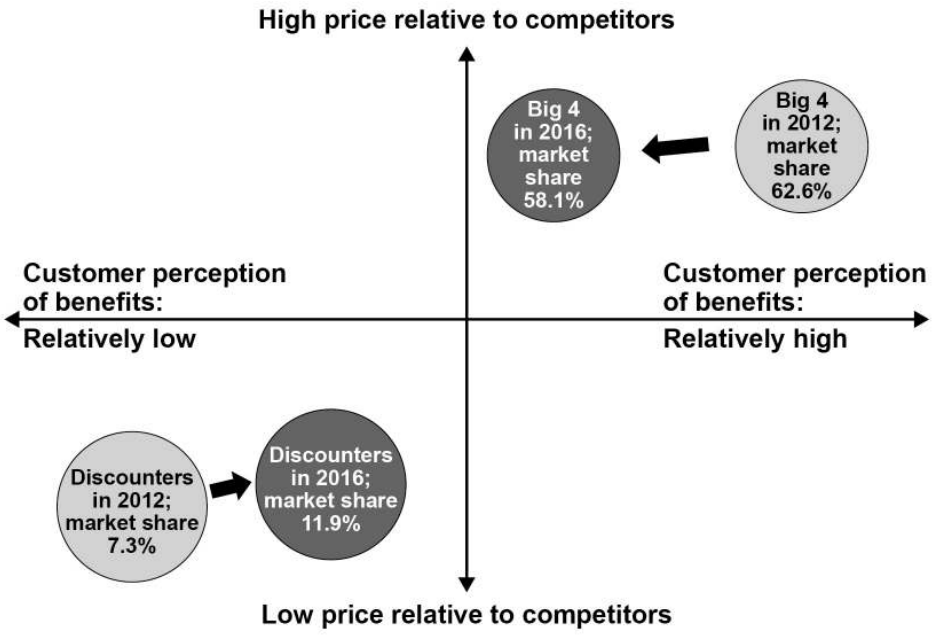


Figure 5: Extract from consumer survey:

"What benefit is most important in determining where you shop?"

Benefit	**% of replies**
I can rely on what I need being in stock	16
It has a good range of non-food products	17
It has well trained, helpful staff readily available	18
The stores are well designed and maintained	14

Do not write outside the box

Figure 6: Company and Human Resource Data

	Aldi Stores Ltd (discount retailer) 2014	**Tesco (one of the 'big four') 2014**
Turnover	£6 893 million	£ 54 443 million
Profit for the year	£250 million	£162 million
Average salary per employee	£21 272	£14 452
Total employee costs	£507 million	£6 968 million
Number of employees	23 858	482 152

0 1 . 1 Calculate the market share of the discount retailers in the UK food retail market in 2015.

[3 marks]

Market share _____

Workings _____

3

0 1 . 2 With reference to **Figure 1**, explain the meaning of 95% confidence interval in the forecast for UK food retail market in 2020.

[3 marks]

3

Do not write outside the box

0 1 . 3 The discount retailers are said to manage their human resources very effectively. Explain how the data in **Figure 6** supports this view. Use calculations to support your answer.

[9 marks]

Extra space

Case study: Parkside Theatre (AS Paper 2, November 2020 insert)
The full case study for Q2 (4 marks), which follows on the next pages. Read it before answering.

Parkside Theatre

Parkside Theatre is a small independent cinema that shows films but also hosts music, comedy and drama events. It is based in a historically important town centre building built in the late 1890s. This building has been renovated using a government grant; a condition of the grant was that the style of the building was preserved.

The business has been owned by the Sanderson family for several generations. They are keen that the business is managed in such a way that the building's architecture is protected, but Parkside Theatre must generate a return on investment.

Lorna has been the general manager of the business for six years. She has full control of day-to-day management. Lorna has been working to improve the capacity utilisation of the cinema. The directors have set her a capacity utilisation target of 70%.

Figure 1: Average cinema attendances at Parkside Theatre 2019

	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Weekly total
Attendance	220	175	-	223	354	629	575	
Maximum capacity	400	400	-	400	400	800	800	

Note: the cinema is closed on Wednesday and has two shows on Saturday and Sunday.

The cinema is in an area that has a small tourism industry, causing increasing attendances during the summer. There are also peaks of demand at Christmas and Easter, linked to school holidays. Incomes in the area have risen faster than the national average over the last 10 years (as shown in **Figure 2**) and are forecast to continue to do so.

Lorna has used hunches, based on intuition, in order to decide on projects, such as introducing comedy events to make greater use of the facilities. Some of these projects have been successful.

Part of Lorna's role is managing cash inflows and outflows. She has a financial objective of maintaining a positive cash flow.

The core cinema business is staffed by a small team of permanent employees; most are part time and have been at the business for many years. Parkside Theatre has gained praise for its staff training, winning awards in 2017 and 2018.

'Our Place'

Rising demand for venues hired for business meetings and conferences led Lorna to believe this could be an opportunity for Parkside Theatre. A large, unused room could be developed to create several small meeting rooms, but required investment from the owners for modernisation. The work would remove some internal historical features.

The board of directors of Parkside Theatre were concerned that competition was well established in the local area. They insisted that they could only support the investment if Lorna adopted a scientific decision-making process and that she presented evidence to support the project.

Lorna completed a range of primary and secondary market research into the demand for meeting venues. She interviewed local business managers about services they would expect. She then completed detailed analysis to support her argument. A selection of the results is included in **Figures 2** and **3**.

After studying Lorna's evidence, the directors agreed to invest what they felt was a large amount of finance.

In April 2019, the meeting rooms launched under the brand name 'Our Place'. The historic exterior of the building is a unique selling point and Lorna chose to set the prices using price skimming. 'Our Place' was promoted to local and regional businesses offering helpful staff, comfortable seating, catering and state-of-the-art IT facilities.

To operate 'Our Place' flexibly, Lorna has been unable to offer guaranteed weekly hours of work for employees, although she would have liked to do so. Training is provided during the induction of staff members to achieve high standards of customer service. Staff retention has been low for the staff delivering the 'Our Place' services during the first year, though Lorna has managed to regularly recruit new staff by focusing on the local student population.

Lorna recognises that the future demand for Parkside Theatre services depends on changes in the external environment but thinks her decision-making has a greater impact. She realises this may not be true for managers in all businesses.

Figure 2: Selected data from secondary research

Annual growth in income (UK) 2009–2018	1.3%
Annual growth in income (locally) 2009–2018	2.3%
Annual growth in the market for meeting venues (UK 2015–2018)	4.5%

Figure 3: Selected data from Lorna's primary research

Research based on interviews with 20 local businesses that rent meeting rooms	
Do you rent rooms more than once a month?	45% yes
How satisfied are you with local meeting venues?	20% satisfied
If choosing a meeting room, what is the most important factor?	
• Price	55%
• IT facilities	20%
• Comfort/surroundings	20%
• Staff/customer service	5%

END OF SOURCE

This question is based on the case study: Parkside Theatre
AS Paper 2, November 2020 insert. Printed in full on the pages just before this one (from page 72).

< CASE STUDY

Answer **all** questions.

Read the **source** in the **Insert**.

Do not write outside the box

0 1 Using the data in **Figure 1**, calculate the average weekly capacity utilisation in 2019.

[3 marks]

Answer _____

Workings _____

3

0 2 The income elasticity of demand for Parkside Theatre cinema tickets is +1.5.

Explain why this information is important for Parkside Theatre.

[4 marks]

Extra space _____

4

Case study: Boss Balloons Ltd (AS Paper 2, June 2023 insert)
The full case study for Q3 (4 marks), which follows on the next pages. Read it before answering.

Boss Balloons Ltd

Boss Balloons Ltd (BB) creates balloon displays for events such as children's parties, weddings and store openings. BB is owned by Zoe, who set the business up after seeing a gap in the local market. BB sells its products through its website and via social media, which it also uses for its marketing. BB's prices range from £50 for the smallest balloon display to £950 for large displays for events such as weddings. Customers pay a small deposit to secure their order and pay the balance once they have received the display. BB often experiences cash flow issues due to Zoe taking on lots of big orders at once.

BB has been trading for five years and has experienced steady growth. BB has recently introduced cakes and sweets to go with the balloon displays. Zoe originally created the displays in her garage. With the increase in demand that BB experienced, more space was needed and BB is now run from a small workshop, rented at a high cost each month.

Zoe is the manager of BB and oversees the day-to-day running of the business. There are 10 employees, who Zoe has trained to create the displays to a high standard. The global and UK market for balloon displays has grown rapidly. BB has experienced a big increase in local competition from other balloon businesses. This means customers have lots of choice when deciding which balloon company to use. BB is considered to be a more expensive option; Zoe feels this is justified as she produces high-quality displays. The company has a history of excellent customer reviews.

Table 1: Balloon display market data

	Price elasticity of demand	Average price of a small balloon display	Average price of a large balloon display	Average wage per hour
UK market	–1.3	£38	£700	£9.00
BB Ltd	–0.5	£50	£950	£10.50
Main rival	–0.9	£45	£800	£9.50

The future

Raising finance

A larger workshop is needed for storage and assembly to accommodate the growth of BB.
A venture capitalist, Jack, wants a 30% share of BB in return for providing the full price for the new workshop. Jack wants to be hands-on and has many years' experience in marketing and events management. He believes that having the right marketing objectives is key to success, with external factors being more important than internal factors when setting these objectives. His experience and knowledge are something that Zoe likes as she wants to expand into new markets. Zoe is concerned about giving up full control of the business she started.
An alternative is to take out a 10-year bank loan; the monthly loan repayments are less than the rent she is currently paying for the existing workshop.

Regular contract

BB has been offered a contract with a local hotel to supply balloon displays for weddings. This is a three-year contract with fixed prices agreed below BB's current display prices. This would be guaranteed weekly income. The hotel balloon displays require many hours' work. This will take some employees away from working on the one-off orders of a much higher value that may come in.

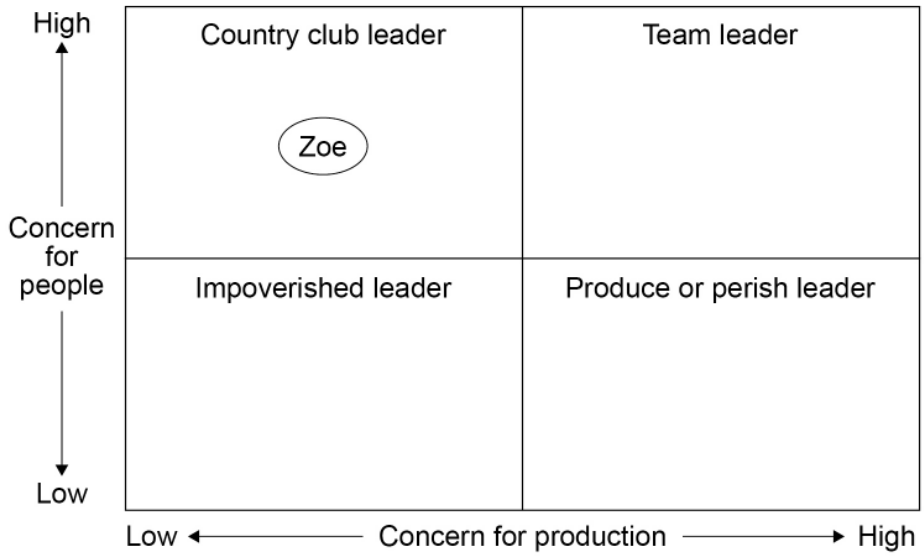
Outsourcing catering

Providing the cakes and sweets to go with the balloon displays has not gone well. Only one of the employees is able to create these products to a high standard. There have recently been complaints received from customers about the quality of these products. There is little added value to making and selling the cakes with the balloons, but more customers are demanding that their displays come with these items. Zoe does not want to lose these customers to competitors. An option is to outsource the catering orders to a local bakery with good reviews, so that staff can focus on providing high-quality balloon displays.

New manager

Zoe needs to employ a manager so that she can focus on making decisions about the future of the business. Zoe believes her management style is that of a 'country club leader', as shown in **Appendix A**. Zoe is considering employing a manager with a different management style. This is because in the last few months at BB there have been some motivation issues that have resulted in reduced productivity. BB has had recent high rates of absenteeism amongst staff and this has led to some balloon orders being sent out late and bad reviews on the website.

Appendix A: Blake Mouton grid



END OF SOURCE

This question is based on the case study: Boss Balloons Ltd
AS Paper 2, June 2023 insert. Printed in full on the pages just before this one (from page 75).

< CASE STUDY

Do not write outside the box

0 3 The price elasticity of demand for BB's products is –0.5.

Explain **one** benefit to BB of operating in the market with this price elasticity of demand value.

[4 marks]

Extra space

4

Do not write outside the box

1 3 The following data applies to a business.

Selling price per unit	£5
Output	9000 units
Variable cost of each unit	£2
Expenses	£20 000

Calculate the operating profit margin (profit from operations margin) for the business.

[4 marks]

_____ %

4

1 4 A business sells one type of product. The demand for this product has an income elasticity of +4.

Explain the impact on the revenue of this business if the incomes of consumers increase.

[4 marks]

4

Turn over ►

Do not write outside the box

0 3 Read the information below and then answer the questions that follow.

Simply Bake plc

Palm oil is a cheap oil ingredient used in the manufacture of many everyday items. Production of palm oil often involves farmers clearing rainforests. The destruction of this habitat has led to the loss of many animal species, including half of the world's orangutans.

Powerful campaign groups with many members, such as Greenpeace and the World Wildlife Foundation, have highlighted the issue. As a result, consumers are increasingly aware of the environmental impact of using palm oil.

Simply Bake plc is a supplier of cakes to supermarkets, who then retail them as their 'own brand' products. For many years, palm oil has been an important ingredient in Simply Bake plc's products, allowing it to meet the demand for cheap food.

In 2018, a small campaign group, Action against Palm Oil (APO), criticised Simply Bake plc. APO had carried out a survey using a sample of 100 of its 400 members to represent the views of UK consumers. The survey found that 67% of respondents wanted the government to ban the use of palm oil.

High-profile media campaigns have increasingly drawn attention to the issue of palm oil production. By 2019, supermarkets had noticed increasing numbers of enquiries from their customers about palm oil and environmental damage.

Finding alternative ingredients is difficult and expensive, but in 2020 Simply Bake plc announced that it will have changed all its recipes to remove palm oil by 2025.

0 3 . 1 Explain why APO's survey findings may not represent the views of UK consumers.

[4 marks]

4

Turn over for the next question

Do not write outside the box

1 3 Explain the value to a start-up business of using primary marketing research.

[5 marks]

Extra space

5

Do not write outside the box

1 4 Analyse **one** way in which having seasonal patterns of demand may affect the operational decisions of a business.

[6 marks]

Extra space

6

Turn over for Section C

Case study: VeganLife Ltd (AS Paper 2, June 2022 insert)
The full case study for Q4 (9 marks), which follows on the next pages. Read it before answering.

VeganLife Ltd

VeganLife Ltd (VL) is a manufacturer and online supplier that sells vegan female toiletries. Vegan goods are made using no animal-based products. VL operates in a niche market. It sells its products to other businesses such as supermarkets and department stores and also directly to individual customers. As this niche market grows at a fast rate every year, VL faces a growing threat to its market share from competitors, especially large businesses.

VL sources raw materials from countries around the world and it manufactures these into products such as soap, shower gel and makeup. VL packages and then sells the products to its customers who order through the website. VL tries to be ethical and environmentally responsible. It uses Fairtrade suppliers often located a long way away. VL tries to keep its waste and pollution as low as possible.

Figure 1 Market and VL Information

	2020
Market size	£50 million
VL market share	15%
Costs of sales for VL	£3.25 million

At the factory and warehouse there are currently two managers, two assistant managers and 30 full-time and part-time staff. The staff have their own specific job roles:

- machine operators
- quality control supervisor
- packaging staff
- general cleaning and maintenance staff
- office staff.

VL has high labour turnover compared to similar businesses. According to some staff this is due to low pay and 'repetitive and boring' tasks. Factory and warehouse staff complain about the high level of supervision, due to managers having narrow spans of control. Office staff say they are frustrated at the lack of feedback they receive on their work, and feel under-valued.

VL has one staff member in charge of quality control. Recently there have been a large number of quality issues with some products. The main problem is with the packaging of the products. Some of it has split, causing products to leak. When this happens, VL has to refund customers and/or replace its products.

The quality issues are causing VL to lose some loyal customers and are affecting its reputation. The Operations Manager suggests that VL should introduce a quality assurance system to the factory and warehouse. The system would initially cost £100 000 and would require all staff to be trained to use it, with further training whenever the system is updated. VL knows that its competitors use a similar system. The Operations Manager feels this is a good way to remain competitive.

VL has grown quickly in a short time and has been a profitable company that has paid rising dividends to its shareholders every year. The shareholders have made it clear they expect this to continue. However, cash flow is a problem. Recently a large business stopped trading,

owing VL £350 000. VL often struggles to keep up with the increasing demand from customers. It does not always have the cash to buy the raw materials to meet the orders, and not all of its suppliers will sell to VL on credit. Additionally, some of its customers do not always pay on time. VL often has to ask the bank to increase its overdraft. Currently VL is £550 000 overdrawn, and the interest rate is set to increase.

Emma, the Managing Director, thinks the quality assurance system is a good idea, but feels spending £100 000 of its profits is a risk. She believes the motivation issues amongst the staff need addressing more urgently.

Due to changes in demographics, such as an increase in the population size of the UK and the change in age structure, the markets for toiletries and vegan products are growing. New products are being launched weekly and new competitors are entering the markets. Emma has noticed through her own primary market research that there is a significant increase in the sales of vegan male toiletries. She does not have any marketing qualifications but has been collecting data from focus groups she has set up. She believes that targeting the vegan male toiletries market is the best way to make a profit and help VL's cash flow position. From her research she estimates that it would need a large investment for a new online advertising campaign for a vegan male shower gel.

Figure 2 Financial forecast data for vegan male shower gel

Fixed costs	£15 000
Total variable costs for 1000 units	£750
Selling price	£6.75

Figure 3 Focus group responses (sample size 20) vegan male toiletries

	2017	**2018**
Amount spent on toiletries in last shop visit	£21	£23
Would you consider buying vegan toiletries?	Yes	Yes
How much would you be willing to spend on vegan toiletries?	£8 per item	£9 per item

END OF SOURCE

This question is based on the case study: VeganLife Ltd
AS Paper 2, June 2022 insert. Printed in full on the pages just before this one (from page 82).

< CASE STUDY

Do not write outside the box

0 4 Analyse the impact on VeganLife Ltd of basing its decision to enter the men's toiletries market on primary market research.

[9 marks]

Extra space

9

Do not write outside the box

2 0 A café sells two types of hot drinks. These drinks have the following income elasticities of demand:

	Income elasticity of demand
Coffee	+2.0
Tea	-0.5

The volume of coffee sales is several times greater than the volume of tea sales. Based on the information above, analyse how the café's overall sales volume of hot drinks would be affected by a rise in consumers' incomes. Assume there are no other changes.

[9 marks]

Extra space

Do not write outside the box

9

2 1 Use the data in **Figure 5** to explain how the use of debt factoring would benefit ABC Ltd.

[9 marks]

Figure 5: Extracts from the balance sheet of ABC Ltd.

	31.3.2015 (£000)	31.3.2016 (£000)	31.3.2017 (£000)
Inventories	200	230	250
Receivables	300	500	690
Cash	400	200	0
Total current assets	**900**	**930**	**940**
Payables	500	530	550

Do not write outside the box

0 3 Read the information below and then answer the questions that follow.

Zani

Zani PLC is a jewellery retailer. Its products include rings, necklaces and bracelets that are made with precious metals and gemstones. Zani PLC has a strong brand reputation for unique designs. The company targets high-income earners. The price elasticity of demand for Zani PLC's products is estimated to be –0.4.

Zani PLC was established in 2005 by Ted Zani. Ted had previously worked for a big multinational jewellery business but left because he wanted to be his own boss. He set up the business with venture capital. In its early years, with Ted in charge, the company had a power culture (according to Handy's model). Shareholders felt a change of culture was necessary as the business got bigger and so Ted was replaced as Chief Executive in 2013.

Zani PLC set up 16 of its own stores in its first eight years. The company has continued to grow since then by selling 150 franchises around the world.

0 3 . 1 What is meant by venture capital?

[2 marks]

2

Do not write outside the box

0 3 . 3 The price elasticity of demand for Zani PLC's products has a value of –0.4.

Analyse reasons why the price elasticity of demand for Zani PLC's products might have this value.

[9 marks]

Extra space

9

Do not write outside the box

1 8 A business decides to increase the price of a product in order to improve its profit.

Analyse how the success of this decision is affected by the product's price elasticity of demand.

[9 marks]

Extra space

9

Answer **all** questions in the spaces provided.

Do not write outside the box

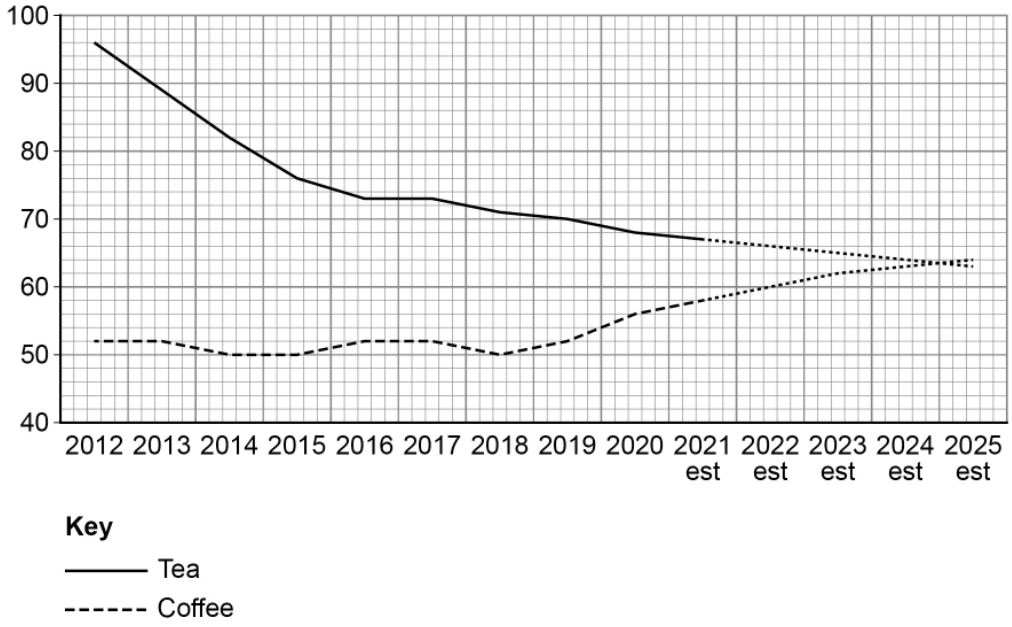
0 1 Read the information below and then answer the questions that follow.

The UK tea market

Tea drinking in the UK is declining as younger customers choose alternatives such as coffee. Extrapolation of the annual sales suggests that coffee will outsell tea in the UK by 2025.

Within the overall tea market traditional black tea still dominates sales. However, a 'health tea' niche made up of fruit, herbal and green teas is growing. This niche has benefitted from its association with wellbeing.

Appendix A Annual sales volume of black tea and coffee (million kg), UK (actual sales 2012–2020; estimated sales 2021–2025)



Do not write outside the box

Appendix B UK tea brands 2019

Rank	Brand	Annual Sales (£m)	% change	Type of tea in range
1	Twinings	108	+3.8	Black and health tea
2	PG Tips	99	−7.2	Mainly black, with small new health tea range
3	Taylors (including Yorkshire Tea)	98	+5.0	Black and health tea
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5	Pukka	23	+15.4	Organic and ethical black and health teas
	Other tea brands	144		

Appendix C Price elasticity of demand data

Type of tea	Price elasticity of demand
Black tea	−1.2
Health teas	−0.5

Turn over for Appendix D

Do not write outside the box

Appendix D Selected data from recent market research survey

How often do you drink black tea? (% of respondents)			
	Overall	**Age 18–24**	**Age over 65**
Several times a day	42	25	56
Once a day	15	16	16
2–3 times per week	10	14	5
Occasionally	12	17	7
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Do you drink health tea? (% of respondents)	
	Yes
Female	32
Male	19

How important is it that the tea you buy is ethically sourced, eg fair trade? (% of respondents)	
Important	62
Not very important	26
Not at all important	12

0 1 . 1 What is meant by the term extrapolation?

[2 marks]

2

Do not write outside the box

0 1 . 4 A business sells two types of tea: black tea and health tea.

Analyse how the data in **Appendix C** will affect how this business might change the price it charges for each type of tea to increase its sales revenue.

[9 marks]

9

Do not write outside the box

1 9 A company sells a single product: Product A.

Table 2 Income and price elasticity of demand for Product A

Income elasticity of demand	+0.5
Price elasticity of demand	–2.0

During the next year:

- consumer incomes fall
- the price of Product A increases.

Based solely on the information provided above, analyse how the sales revenue for Product A will change over the next year.

[9 marks]

9

Case study: Slow Fashion (AS Paper 2, June 2019 insert)
The full case study for Q6 (16 marks), which follows on the next pages. Read it before answering.

Slow Fashion

Many clothing companies succeed by using a 'fast fashion' business model: selling seasonal, cheap, low-quality items that are often manufactured in low-cost countries such as Bangladesh. This practice is used by retailers promoting the latest designs.

As a senior buyer for a high street clothing retailer, Claudia Bryant had responsibility for sourcing clothing and negotiating contracts with suppliers from many countries. She was successful in her work by securing low-cost deals.

> On 24 April 2013, over 1,130 people were killed when the Rana Plaza factory complex collapsed in Dhaka, Bangladesh. 2,500 more were injured. The people crushed under those eight floors were working for familiar fashion brands in unsafe conditions.

Rana Fashion

In 2013 Claudia was shocked by the Rana Plaza disaster. She believed that it was the fault of the 'fast fashion' business model – something she no longer wanted to be a part of.

She resigned from her job to set up her own online clothing retail business, centred on ethical objectives. The business (Rana Fashion) is a private limited company with Claudia owning 60% of the shares. The remaining shares are owned by a Bangladeshi charity, ensuring that at least 40% of the annual profits support charitable projects in Bangladesh.

The clothes are traditional designs that do not go out of fashion. All are made to last and fabrics are ethically sourced, eg fair-trade cotton. They are manufactured by suppliers in Bangladesh – many with personal links to the Rana Plaza disaster. Each supplier is a small independent family-run business.

Claudia is keen to trade ethically, in contrast with leading retailers, as shown below.

Rana Fashion's approach:	'Fast fashion' approach:
• pay promptly to help the suppliers' cash flow	• delay payments to help their own cash flow
• buy and store extra inventory – this allows better capacity utilisation for suppliers	• buy only enough to meet projected demand as old inventory goes 'out of fashion'
• have long term contracts with suppliers – allowing suppliers to plan for their future.	• new contracts each season – in search of lower priced deals.

Rana Fashion garments are sold at a high price. If customers spend over £100 they can pay over 10 months without any interest. Last year 25% of sales were made this way.

Rana Fashion sells directly to consumers worldwide through e-commerce, removing the need for high street retailers. The UK is its biggest market. However, Claudia is pleased that sales in the USA and Europe have recently shown steady growth.

No budget is allocated to promotion. Claudia relies on media coverage to promote her brand. She has been interviewed by many newspapers, radio stations and online news providers when journalists have been reporting on ethical fashion. This has proved successful as the readers and audiences have views that are closely aligned with the business objectives.

Rana Fashion invested heavily in its website and is very active on social media, with increasing numbers of loyal customers sharing links which are often seen by hundreds of thousands of like-minded people.

The business has large levels of inventory and efficient warehousing is vital. The warehouse manager is a key member of staff and Claudia has designed this job role to have delegated responsibility for the day-to-day running of the warehouse.

Rana Fashion outsources its increasingly wide and complex distribution function to international distribution companies such as UPS. These ongoing contracts have specific targets for customer service, based on delivery times such as 48 hours across the UK and Europe. UPS delivers to over 220 countries, including every address in North America and Europe.

Financially, Rana Fashion has been profitable with rising profit margins, but faces regular cash flow problems. A financial adviser believed that Rana Fashion's business model made the cash flow problems difficult to resolve and had two suggestions to help.

Suggestion A:	**Suggestion B:**
Delay payment to suppliers by paying invoices as late as possible.	Use debt factoring of customer credit.

Appendices continue on the next page

Figure 1: Overall UK and US clothing sales 2012–2017 (Index numbers, 2013 = 100)

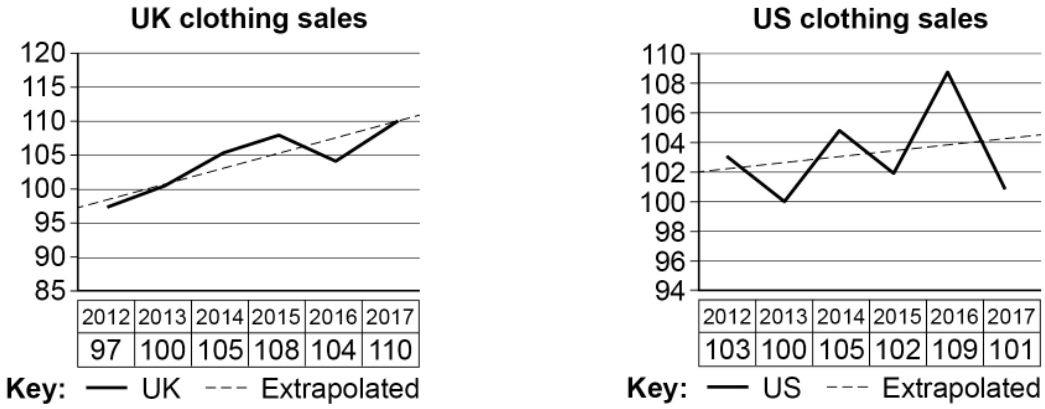


Figure 2: Estimated elasticity data

	'Fast fashion'	Ethical fashion
Income elasticity of demand	+0.6	+1.4
Price elasticity of demand	-1.3	-0.8

Figure 3: Predicted changes in income levels

	UK	USA	Europe
2019	+2.5%	+4.0%	+3.2%
2020	+2.0%	+3.5%	+3.0%

END OF SOURCE

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This question is based on the case study: Slow Fashion
AS Paper 2, June 2019 insert. Printed in full on the pages just before this one (from page 95).

< CASE STUDY

Do not write outside the box

0 6 How useful do you think the data provided in **Figures 1**, **2** and **3** might be to Claudia when predicting future sales? Justify your answer.

[16 marks]

Do not write outside the box

Extra space

16

Answer **all** questions in the spaces provided.

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Market research data on the UK Ready to Eat (RTE) breakfast cereals market

Appendix A Sales of the largest four manufacturers in the UK RTE breakfast cereal market in 2017

Appendix A cannot be reproduced here due to third-party copyright restrictions.

Appendix B Index of UK retail sales of RTE breakfast cereals, by value and volume, 2018–2023

Appendix B cannot be reproduced here due to third-party copyright restrictions.

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Appendix C Percentage of survey respondents selecting product features they think are important when choosing an RTE breakfast cereal

Appendix C cannot be reproduced here due to third-party copyright restrictions.

Sample: 1762 internet users aged 16+ who typically eat RTE breakfast cereal

Appendix D Percentage of market research survey respondents agreeing or disagreeing with a statement relating to RTE breakfast cereals

Appendix D cannot be reproduced here due to third-party copyright restrictions.

Sample: 1762 internet users aged 16+ who typically eat RTE breakfast cereal

Appendix E Data on Kellogg's global sales and advertising spending

Appendix E cannot be reproduced here due to third-party copyright restrictions.

Do not write outside the box

0 1 . 5 Kellogg's is developing a new RTE breakfast cereal for the UK and has examined the market research data in **Appendices A** to **E**.

Do you think that the use of this market research will guarantee that this new product achieves high sales? Justify your answer.

[16 marks]

Do not write outside the box

Extra space

Do not write outside the box

16

Answer **all** questions in the spaces provided.

Do not write outside the box

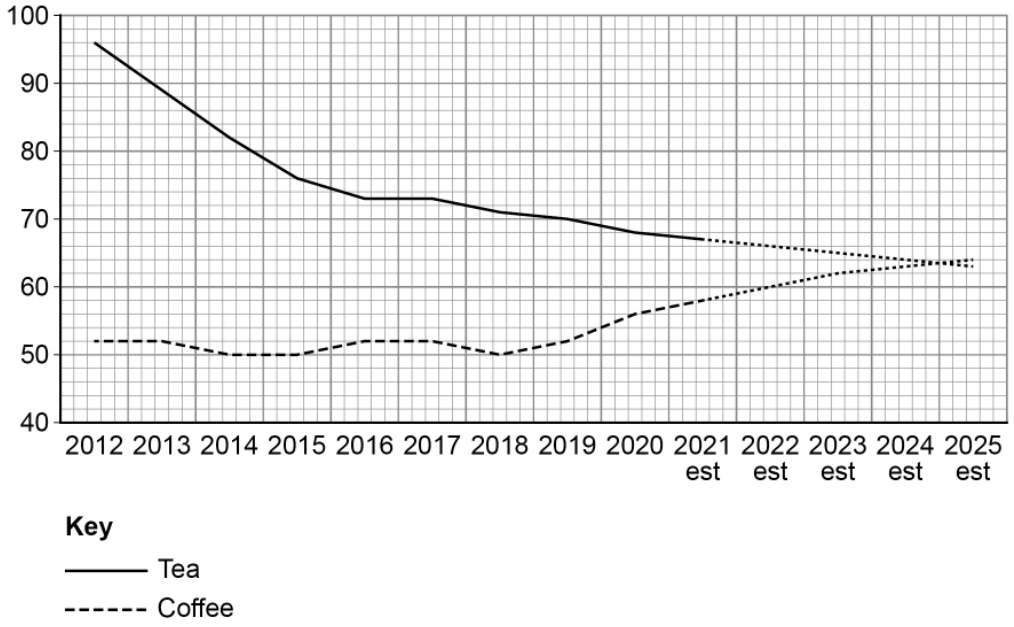
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Do not write outside the box

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Important	62
Not very important	26
Not at all important	12

0 1 . 1 What is meant by the term extrapolation?

[2 marks]

2

Do not write outside the box

0 1 . 5 To what extent does the information provided suggest that now is a good time to launch a new brand of tea?

[16 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

Section C

Answer **either** Question 21 **or** Question 22.

Shade the lozenge below to indicate which optional question you have answered.

Question 2 1 ⬭ Question 2 2 ⬭

CORRECT METHOD ⬬ WRONG METHODS ⊗ ⦿ ⬭ ✓

2 1 A UK business's domestic market has stopped growing. The business has decided to become a multinational corporation.

To what extent is this decision likely to increase profits?

[25 marks]

OR

2 2 The marketing department of a business wishes to increase its market share in a growing market.

To what extent is market research the most important activity of the marketing department in order to achieve this objective?

[25 marks]

Do not write outside the box

Do not write outside the box

Extra space

Do not write outside the box

20

Do not write outside the box

Do not write outside the box

25

Do not write outside the box

0 3 **Statement 1**: 'According to Blake Mouton, a middle-of-the-road leader has a greater concern for production than a country club leader.'

Statement 2: 'According to Blake Mouton, an impoverished leader has a greater concern for production than a team leader.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 4 Sales revenue will stay the same if:

[1 mark]

A prices rise by 5% and the price elasticity of demand is 0 ⬭

B prices rise by 10% and the price elasticity of demand is −1 ⬭

C incomes rise by 5% and the income elasticity of demand is −1 ⬭

D incomes rise by 10% and the income elasticity of demand is −0.1 ⬭

0 5 A business's target market is based on young people who frequently visit gyms. This business is using which of the following types of market segmentation?

[1 mark]

A Behavioural and demographic ⬭

B Behavioural and income ⬭

C Demographic and geographic ⬭

D Income and demographic ⬭

Do not write outside the box

0 5 Think about Maslow's hierarchy of needs. Which **one** of the following statements does Maslow say is true?

[1 mark]

A Security/safety needs must be satisfied before physiological needs can be used to motivate employees. ⬭

B Self-actualisation needs must be satisfied before ego/esteem needs can be used to motivate employees. ⬭

C Social/belonging needs must be satisfied before ego/esteem needs can be used to motivate employees. ⬭

D Social/belonging needs must be satisfied before security/safety needs can be used to motivate employees. ⬭

0 6 **Statement 1**: 'Market mapping is often used to calculate the market share of a business.'

Statement 2: 'Market mapping shows the geographical location of a business on a map.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 7 A business has an opening balance of £5000 on 1 July.

In the month of July, there is a cash outflow of £14 000. The net cash flow for July is £22 000.

The business' closing balance on 31 July is:

[1 mark]

A –£9000 ⬭

B £8000 ⬭

C £13 000 ⬭

D £27 000 ⬭

Do not write outside the box

0 3 Which of the following options should a business choose to improve its gross profit margin?

[1 mark]

A Ask the owner of the building for a reduction in the rent paid for the head office. ⬭

B Increase the selling price of each product by £25. ⬭

C Offer customers a discount for making payment within 14 days. ⬭

D Sell some non-current assets that were bought for £90 000 in 2024. ⬭

0 4 Originally a business targeted its marketing towards male customers. It decides to change its focus to those customers who have the highest frequency of purchases.

This is a change from:

[1 mark]

A behavioural segmentation to income segmentation. ⬭

B demographic segmentation to behavioural segmentation. ⬭

C demographic segmentation to income segmentation. ⬭

D geographic segmentation to behavioural segmentation. ⬭

0 5 The table below provides data on XYZ plc's four factories.

XYZ plc aims to achieve a minimum labour productivity of 3 units per employee and unit costs below £5.

Which of its factories achieves **both** aims?

[1 mark]

	Factory	Number of employees	Output	Total cost £	
A	Factory A	25	100	550	⬭
B	Factory B	40	100	600	⬭
C	Factory C	50	200	800	⬭
D	Factory D	100	200	1200	⬭

Do not write outside the box

1 1 **Statement 1:** 'In a SWOT analysis, improvements in infrastructure are a strength for a business.'

Statement 2: 'In a SWOT analysis, an increase in the minimum wage may be a threat to a business.'

Read Statements 1 and 2 and select the correct option from the following options.

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

1 2 Based on Kaplan & Norton's Balanced Scorecard model, a policy to increase Research and Development spending on new products by 5% would be an element of the:

[1 mark]

A customer perspective. ⬭

B financial perspective. ⬭

C internal business process perspective. ⬭

D learning and growth perspective. ⬭

1 3 Which one of the following is **least** likely to be an advantage of operating in a niche market for a small business?

[1 mark]

A Economies of scope ⬭

B Focused marketing ⬭

C Less competition ⬭

D Opportunity for tailor-made products ⬭

Turn over ►

Case study: VeganLife Ltd (AS Paper 2, June 2022 insert)
The full case study for Q3 (4 marks), which follows on the next pages. Read it before answering.

VeganLife Ltd

VeganLife Ltd (VL) is a manufacturer and online supplier that sells vegan female toiletries. Vegan goods are made using no animal-based products. VL operates in a niche market. It sells its products to other businesses such as supermarkets and department stores and also directly to individual customers. As this niche market grows at a fast rate every year, VL faces a growing threat to its market share from competitors, especially large businesses.

VL sources raw materials from countries around the world and it manufactures these into products such as soap, shower gel and makeup. VL packages and then sells the products to its customers who order through the website. VL tries to be ethical and environmentally responsible. It uses Fairtrade suppliers often located a long way away. VL tries to keep its waste and pollution as low as possible.

Figure 1 Market and VL Information

	2020
Market size	£50 million
VL market share	15%
Costs of sales for VL	£3.25 million

At the factory and warehouse there are currently two managers, two assistant managers and 30 full-time and part-time staff. The staff have their own specific job roles:

- machine operators
- quality control supervisor
- packaging staff
- general cleaning and maintenance staff
- office staff.

VL has high labour turnover compared to similar businesses. According to some staff this is due to low pay and 'repetitive and boring' tasks. Factory and warehouse staff complain about the high level of supervision, due to managers having narrow spans of control. Office staff say they are frustrated at the lack of feedback they receive on their work, and feel under-valued.

VL has one staff member in charge of quality control. Recently there have been a large number of quality issues with some products. The main problem is with the packaging of the products. Some of it has split, causing products to leak. When this happens, VL has to refund customers and/or replace its products.

The quality issues are causing VL to lose some loyal customers and are affecting its reputation. The Operations Manager suggests that VL should introduce a quality assurance system to the factory and warehouse. The system would initially cost £100 000 and would require all staff to be trained to use it, with further training whenever the system is updated. VL knows that its competitors use a similar system. The Operations Manager feels this is a good way to remain competitive.

VL has grown quickly in a short time and has been a profitable company that has paid rising dividends to its shareholders every year. The shareholders have made it clear they expect this to continue. However, cash flow is a problem. Recently a large business stopped trading,

owing VL £350 000. VL often struggles to keep up with the increasing demand from customers. It does not always have the cash to buy the raw materials to meet the orders, and not all of its suppliers will sell to VL on credit. Additionally, some of its customers do not always pay on time. VL often has to ask the bank to increase its overdraft. Currently VL is £550 000 overdrawn, and the interest rate is set to increase.

Emma, the Managing Director, thinks the quality assurance system is a good idea, but feels spending £100 000 of its profits is a risk. She believes the motivation issues amongst the staff need addressing more urgently.

Due to changes in demographics, such as an increase in the population size of the UK and the change in age structure, the markets for toiletries and vegan products are growing. New products are being launched weekly and new competitors are entering the markets. Emma has noticed through her own primary market research that there is a significant increase in the sales of vegan male toiletries. She does not have any marketing qualifications but has been collecting data from focus groups she has set up. She believes that targeting the vegan male toiletries market is the best way to make a profit and help VL's cash flow position. From her research she estimates that it would need a large investment for a new online advertising campaign for a vegan male shower gel.

Figure 2 Financial forecast data for vegan male shower gel

Fixed costs	£15 000
Total variable costs for 1000 units	£750
Selling price	£6.75

Figure 3 Focus group responses (sample size 20) vegan male toiletries

	2017	**2018**
Amount spent on toiletries in last shop visit	£21	£23
Would you consider buying vegan toiletries?	Yes	Yes
How much would you be willing to spend on vegan toiletries?	£8 per item	£9 per item

END OF SOURCE

This question is based on the case study: VeganLife Ltd
AS Paper 2, June 2022 insert. Printed in full on the pages just before this one (from page 120).

< CASE STUDY

Do not write outside the box

0 3 Explain **one** drawback to VeganLife Ltd of operating in a growing niche market.

[4 marks]

Extra space

4

Turn over for the next question

Answer **all** questions in the spaces provided.

Do not write outside the box

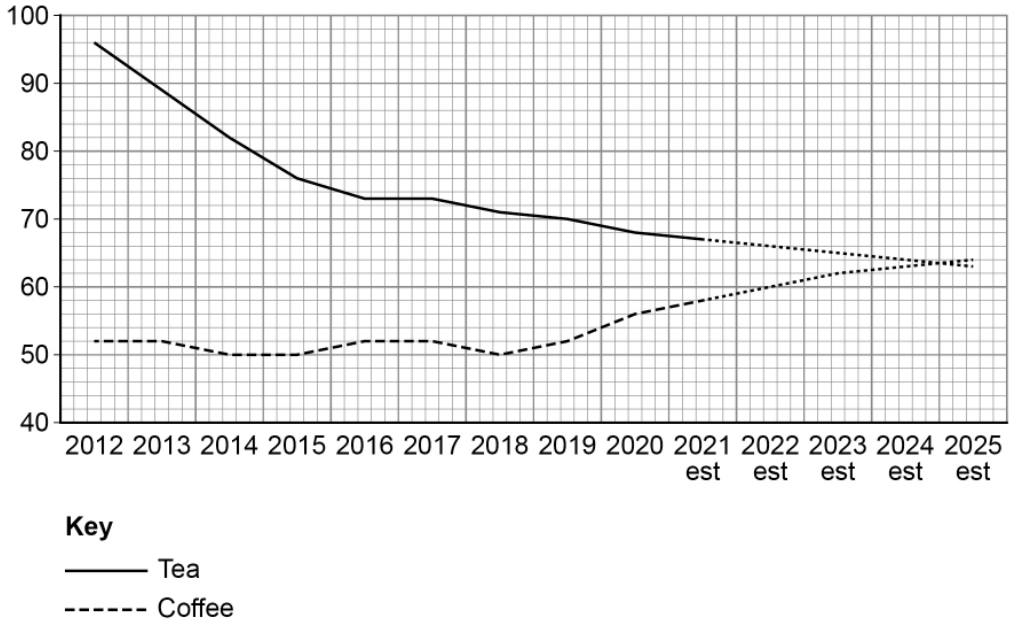
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Important	62
Not very important	26
Not at all important	12

0 1 . 1 What is meant by the term extrapolation?

[2 marks]

2

Do not write outside the box

0 1 . 2 Using **Appendix B**, calculate the combined market share of the top four tea brands in 2019.

[3 marks]

3

0 1 . 3 Using the data in **Appendix D**, explain **one** benefit of the use of market segmentation to a business selling tea.

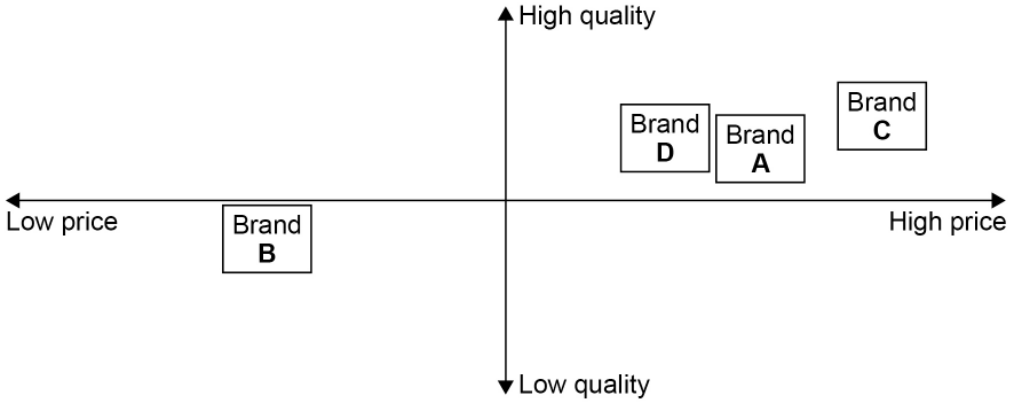
[4 marks]

4

Turn over for the next question

Do not write outside the box

1 5 A business is creating a new product. The business has produced a market map of rival products which is seen below.



Analyse how using this market map of rival products might affect the positioning of the new product.

[6 marks]

Extra space

6

Turn over ►

Do not write outside the box

1 8 Analyse why a large business might choose to introduce a product into a niche market.

[9 marks]

Extra space

9

Case study: G-Free (AS Paper 2, June 2017 insert)
The full case study for Q5 (16 marks), which follows on the next pages. Read it before answering.

Source 1

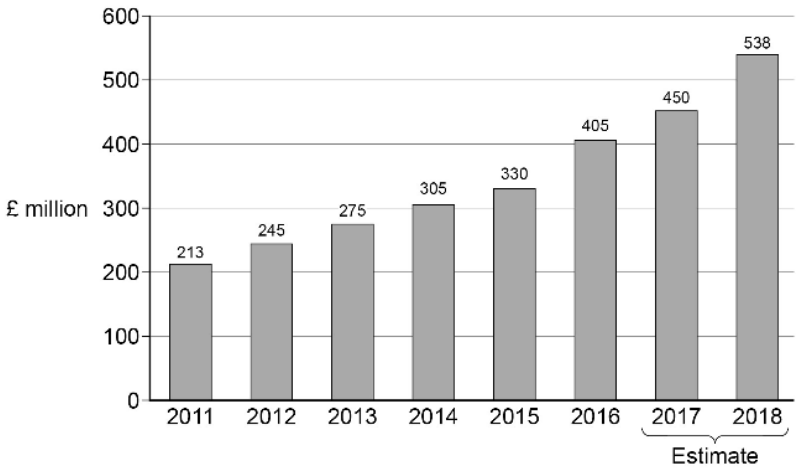
G-Free Ltd

Background

The UK market for gluten-free food is growing rapidly (see **Figure 1**). This rising demand is caused by three factors:

- greater awareness of food allergies
- some consumers believing that these foods are healthier
- the endorsement of this type of food as a 'lifestyle choice' by celebrities.

Figure 1: UK sales of gluten-free food (£ million)



The price of gluten-free food is up to 300% higher than similar products that contain gluten. This is due to the high costs of specialist ingredients, limited competition in the market, and price inelastic demand.

In 2004 chef, Stephanie Morris, started to develop gluten-free bread recipes for her son who had a severe food allergy. This bread was much better than that available in shops and she began to investigate the possibility of starting a small scale business. Initially, as a sole trader, she sold small batches of loaves in local food markets where it was well received.

In 2005 Stephanie invested a large part of her savings and left her secure job as a chef to start a bakery in a small factory. This decision involved a large opportunity cost for Stephanie, but she was optimistic that it could be worth the large risk. She found four investors to join her as co-directors of a private limited company: *G-Free Ltd*, as she was advised that limited liability would be useful. The other directors shared Stephanie's passion for the product, and had experience in manufacturing and retail distribution within the food sector.

The G-Free Ltd brand of gluten-free bread was launched in UK supermarkets in 2007 and received favourable coverage in health magazines. By 2009 it was established in the niche market of gluten-free bread and quickly became the market leader.

At first G-Free Ltd sourced ingredients from four suppliers who had specialist knowledge of the market. G-Free Ltd was a major customer for each of the suppliers and a close business relationship developed with them. The suppliers offered high-quality ingredients and flexible deliveries, but were not the largest or cheapest available.

The original small factory was described as being run using a team management approach on the Blake Mouton grid. The factory grew steadily to employ over 100 staff and in 2012 it received a regional award as being the best medium-sized business to work for. At the 'award ceremony' the judges commented favourably on:

- the high level of employee engagement
- low labour turnover
- the willingness of employees to work flexibly.

Continued growth

Success with gluten-free bread led G-Free Ltd to develop a wider range of products from cakes and biscuits to croissants and crumpets – all gluten-free and many were developed from employee suggestions. In 2014 the company invested heavily in two new large bakeries. The existing suppliers could not offer the range or volumes now needed by G-Free Ltd. Its new products and increased scale meant that G-Free Ltd required more ingredients from a rising number of suppliers.

Costs associated with this expansion were seen as the reason for the business not turning sales growth into profit.

In 2015 G-Free Ltd experienced a serious problem in its operations. Some products were found to contain traces of gluten. Flour from one of its new suppliers was contaminated. G-Free Ltd acted swiftly to withdraw the products – mindful of the importance of maintaining the trust of its customers and reviewed its quality control systems.

The continued growth of this market has recently attracted larger firms. Heinz, Nestlé and Warburtons have each launched their own gluten-free ranges. These firms have lower unit costs due to larger scale and the use of more technologically advanced systems. They also benefit from strong brand images from their other products that sell in mass markets; this has helped them enter the gluten-free niche.

The Operations Manager of G-Free Ltd believes that the company must react to this threat by reviewing its optimum resource mix, particularly as labour costs at G-Free Ltd are rising. The company plan a move towards a lean production system that will be more capital intensive. It will also aim to improve operational performance by reducing the number of suppliers it works with from 28 to 14.

The plan will see a reduction in staffing at the factories. This is opposed by the Human Resources Manager who highlights that many of the staff have stayed loyal to the company for many years.

The plan will be completed by late 2018 at a cost of £28m. The Finance Manager suggests the company fund this, and further growth, by becoming a public limited company. However, the founder, Stephanie Morris, sees herself and the original directors as key people to help ensure that the business stays true to its original aims and feels this may be threatened if the ownership is changed in this way.

Turn over for Figure 2 and Figure 3

Figure 2: Selected from G-Free Ltd Income Statements

	2015	2016	2017	2019 (est.)
Turnover £m	42.0	51.0	54.5	65.6
Gross profit £m	14.5	21.5	24.1	29.0
Gross profit margin (%)	34.5		44.2	44.2
Expenses £m	16.1	18.2	21.3	18.7
Operating profit/loss £m	-1.6	3.3	2.8	10.3
Operating profit margin (%)	-3.8	6.5	5.1	15.7

Figure 3: Selected data for G-Free Ltd

	2015	2016	2017	2019 (est.)
Number of Employees	452	510	525	440
Total Employee Costs (£m)	9.8	11.2	12.0	11.5
Average Cost per Employee (£)	21 681	21 960	22 857	26 136

END OF SOURCE

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This question is based on the case study: G-Free

AS Paper 2, June 2017 insert. Printed in full on the pages just before this one (from page 129).

< CASE STUDY

Do not write outside the box

0 5 G-Free Ltd only supplies the niche market of gluten-free food. To what extent do you think this is a risky decision?

[16 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

Section C

Answer **all** questions in this section.

1 6

Ondata Bicycles Ltd

Ondata Bicycles Ltd manufactures high-performance bicycles that it sells in the UK through its own website and a network of 30 independent bike shops. Ondata Bicycles Ltd focuses on a niche market selling bicycles for cyclists who value a fast and lightweight product. Ondata Bicycles Ltd's operating profit margin is 40%. The income elasticity of demand for its high-performance bicycles is +3.

Ondata Bicycles Ltd sponsors a leading British cycling team. The company believes that positioning its products as being suitable for use in professional cycling races is an effective way of promoting the bicycles to its target market. Its bicycles sell for at least £3000 each.

Ondata Bicycles Ltd purchased its factory using a loan with a variable interest rate that was 3.5% when the loan was agreed. The amount still owed on the loan is currently £1.1 million and must be repaid in full by 2040. Capacity utilisation at the factory is 55%.

Incomes in the UK are expected to fall in the next couple of years. Ondata Bicycles Ltd is considering developing a lower priced range of bicycles to target the mass market. To reach its new target customers, Ondata Bicycles Ltd thinks it would need to sell these lower price bicycles through Bayes, the country's largest cycling retailer. Bayes has 400 stores and 25% market share of bicycle sales in the UK. Bayes would keep 50% of the selling price, in comparison to the 30% kept by the current independent stores used by Ondata Bicycles Ltd.

Table 1 Ondata Bicycles Ltd's forecast financial market data

	2026	**2027**	**2028**
Annual change in size of UK mass market for bicycles	+ 0.1%	+ 0.8%	+ 2.5%
Average selling price of a bicycle in the mass market (£)	545	523	507
Interest rate (%)	5.25	6.5	7.5

Do not write outside the box

1 6 . 2 Ondata Bicycles Ltd is considering entering the mass market with low price bicycles in addition to its current target market.

Do you think this would be a good decision?

Justify your answer.

[16 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

Do not write outside the box

16

Do not write outside the box

0 2 Read the information below and then answer the questions that follow.

Seebus plc

Seebus plc is a food retailer that has used organic growth to expand. It now has 110 stores spread across the UK. The company competes with larger supermarkets by positioning itself as offering higher quality products and better customer service.

To differentiate itself, Seebus plc offers:

- a luxury range of 'own-brand' goods
- some branded goods which are market leaders in their particular categories.

The company focuses on a smaller range of products than its largest rivals and relies on being able to achieve higher gross profit margins. Seebus plc is aware that it cannot compete purely on price with much larger rivals in the mass market.
Seebus plc operates a 'Just in Time' system of inventory management, as do all major competitors in the market. It recently introduced software which integrates inventory management with marketing, production, transport logistics and the supply chain.

Recently, the results of employee satisfaction surveys have shown rising levels of unhappiness with pay and working conditions. Labour turnover has also increased dramatically. In 2023, Seebus plc employed an average of 6000 employees. During 2023, 960 employees left Seebus plc, whilst only 720 new employees joined the company. Seebus plc had always taken pride in its excellent relationships with employees, paying wages well above those of its main rivals. Recently, competitors have significantly increased employee pay rates. Employees are also unhappy about changes to shift patterns and the way they are supervised. Ajinder, the Chief Executive, plans to address the findings of the employee surveys. The plans include implementing a new package including:

- personalised career development plans
- improved training.

Do not write outside the box

0 2 . 4 Seebus plc targets its marketing towards higher income customers.

Should **all** businesses segment their markets based on income?

Justify your view.

[16 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each answer completely fill in the circle alongside the appropriate answer.

CORRECT METHOD  WRONG METHODS 

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1 A new product has been launched onto the market. It currently has a low market share in a low growth market. Which category from the Boston Matrix is this product located in?

A Cash cow ⬭

B Dog ⬭

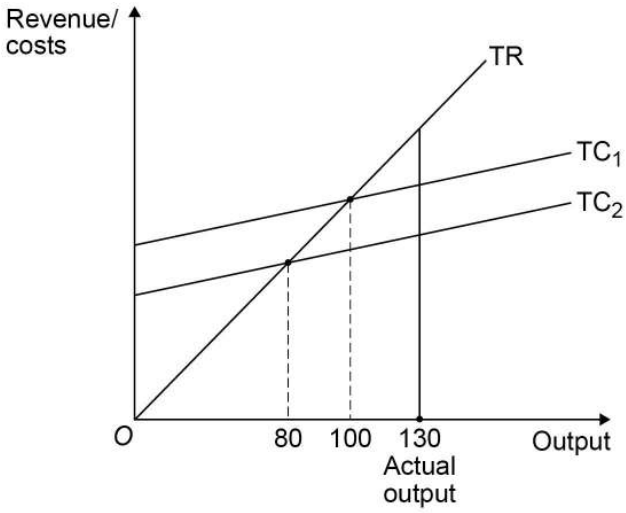
C Question mark ⬭

D Star ⬭

[1 mark]

Do not write outside the box

0 2 The break-even chart below shows the change in break-even output arising from a change in total costs from TC_1 to TC_2.



In the diagram, the margin of safety has

A fallen by 30 units as a result of a fall in fixed costs. ⬭

B fallen by 20 units as a result of a fall in variable costs. ⬭

C risen by 20 units as a result of a fall in fixed costs. ⬭

D risen by 30 units as a result of a fall in variable costs. ⬭

[1 mark]

Turn over for the next question

Do not write outside the box

0 6 The **two** statements below relate to the seven P's of the marketing mix.

Statement 1: Ensuring that communications with customers are dealt with promptly is an aspect of 'Process'.

Statement 2: Ensuring that the reception area of a business is clean and tidy is an aspect of 'People'.

Read statements 1 and 2 and select the correct option from the following:

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

[1 mark]

0 7 A business wishes to reduce its capacity. Which of the following actions is **not** a method that a business will use to achieve this aim?

A Cutting back on capital equipment ⬭

B Rationalising its labour force ⬭

C Reducing output ⬭

D Selling a factory to another business ⬭

[1 mark]

0 8 Based on Tannenbaum and Schmidt's continuum of leadership, in which part of the continuum does the manager have least authority?

A Consult ⬭

B Sell ⬭

C Share/Joins ⬭

D Tell ⬭

[1 mark]

Do not write outside the box

0 8 **Statement 1**: 'Introducing lean production can improve cash flow by reducing levels of inventory.'

Statement 2: 'Introducing lean production can improve profitability by reducing waste.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 9 Which one of the following is **not** an extension strategy?

[1 mark]

A Attracting new market segments ⬭

B Changing the image of a product ⬭

C Increasing spending on promotions ⬭

D Lowering unit costs ⬭

1 0 **Statement 1**: 'Delegation can improve efficiency because it may allow decisions to be taken by the employee with the most relevant skills.'

Statement 2: 'Delegation helps to identify employees with the potential for promotion.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

10

Do not write outside the box

1 2 According to Lewin's force field analysis

A change will occur if driving forces are stronger than restraining forces. ⬭

B change will occur if negative forces equal positive forces. ⬭

C a company will grow if its strengths and opportunities outweigh its weaknesses and threats. ⬭

D a company will grow if horizontal forces and vertical forces are balanced. ⬭

[1 mark]

1 3 Statement 1: 'Penetration pricing is more likely to be used if demand is price inelastic.'

Statement 2: 'Price skimming is more likely to be used if demand is price elastic.'

Read statements 1 and 2 and select the correct option from the following options:

A Statement 1 is true. Statement 2 is true ⬭

B Statement 1 is true. Statement 2 is false ⬭

C Statement 1 is false. Statement 2 is true ⬭

D Statement 1 is false. Statement 2 is false ⬭

[1 mark]

1 4 In a business each employee has a job with clear rules and procedures.
Which of Handy's cultures does this description most closely correspond to?

A Person culture ⬭

B Power culture ⬭

C Role culture ⬭

D Task culture ⬭

[1 mark]

Do not write outside the box

Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each answer completely fill in the circle alongside the appropriate answer.

CORRECT METHOD ⬬ WRONG METHODS ⊗ ⦿ ≈ ✓

If you want to change your answer you must cross out your original answer as shown. ⊠

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. ⊠

0 1 Statement 1: 'Debt factoring is usually a short-term source of finance.'
Statement 2: 'Bank overdrafts are usually a long-term source of finance.'

Read statements 1 and 2 and select the correct option from the following

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

[1 mark]

0 2 Penetration pricing is setting a price that is

A associated with products with high income elasticity of demand. ⬭

B intended to maximise the profit margin on each product. ⬭

C often used when demand is price elastic. ⬭

D often used in markets with high seller power. ⬭

[1 mark]

Do not write outside the box

Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD  WRONG METHODS 

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1 ‘The process of transforming raw information into useful information that can support various activities of a business’.

The definition above most accurately describes

[1 mark]

A data mining. ⬭

B e-commerce. ⬭

C enterprise resource planning. ⬭

D gathering big data. ⬭

0 2 Despite a significant increase in its sales revenue, a product’s market share falls from 60% to 50%.

This product is a

[1 mark]

A cash cow. ⬭

B dog. ⬭

C problem child/question mark. ⬭

D star. ⬭



Do not write outside the box

0 4 In which of these situations is a business most likely to use outsourcing for some of its production?

Situation	Current level of capacity utilisation	Predictability of demand
A	High	High
B	High	Low
C	Low	High
D	Low	Low

[1 mark]

A Situation A ⬭

B Situation B ⬭

C Situation C ⬭

D Situation D ⬭

0 5 In 2019, the niche market of electric cars increased its share of the global car sales market from 0.8% to 2.4%. However, global car sales fell by 2.5%. Model X was the most popular electric car. On a Boston Matrix for the global car market in 2019, Model X was a:

[1 mark]

A cash cow. ⬭

B dog. ⬭

C problem child/question mark. ⬭

D star. ⬭

Do not write outside the box

0 3 Options **A** to **D** show four possible changes to the UK economy.

Based **solely** on these changes, which option will lead to the largest increase in UK imports?

[1 mark]

A A fall in GDP and a fall in the exchange rate value of the pound ⬭

B A fall in GDP and a rise in the exchange rate value of the pound ⬭

C A rise in GDP and a fall in the exchange rate value of the pound ⬭

D A rise in GDP and a rise in the exchange rate value of the pound ⬭

0 4 Product 'X' was the market leader in a low growth market.

New promotions by competitors lead to rapid growth in the market.

However, Product 'X' still retains its market leadership.

In terms of the Boston Matrix, Product 'X' has changed from:

[1 mark]

A a cash cow to a question mark. ⬭

B a cash cow to a star. ⬭

C a question mark to a star. ⬭

D a star to a cash cow. ⬭

0 5 **Statement 1**: 'According to Ansoff's matrix, diversification is the most risky strategy.'

Statement 2: 'According to Ansoff's matrix, market penetration is the least risky strategy.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

Case study: The Hostel Society (AS Paper 2, June 2018 insert)
The full case study for Q3 (4 marks), which follows on the next pages. Read it before answering.

The Hostel Society

The Hostel Society (HS) is a charity which owns and runs 23 hostels in some of the most beautiful and remote parts of the UK countryside. A hostel is an affordable place to stay – providing basic self-catering facilities, communal areas and cycle storage. Guests are typically keen to walk and cycle in the countryside.

> The Hostel Society's mission is:
>
> 'To promote a love of the countryside, particularly to people who have a limited income.'

HS is owned by its members who support the aims of the organisation and who pay an annual fee. Over half of the members of HS are under 25 years old but it is the older members who are the most actively involved in the running of the organisation. Many of the guests at the hostels are also members. Members elect the board of directors (called trustees) at HS. As a charity, the income and assets of HS cannot be paid out as dividends or bonuses to trustees or members.

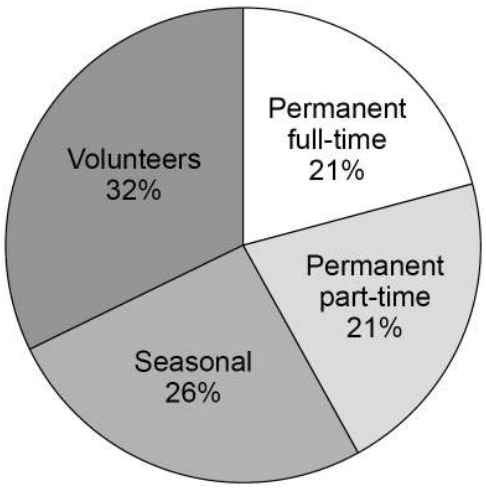
The board of trustees at HS governs the organisation and sets its strategic direction – each trustee gives his or her time and expertise voluntarily. Other enthusiastic members volunteer to help manage hostels, maintain the grounds, carry out administration tasks and organise events. These volunteers share the values of HS, and gain personal satisfaction from their roles and from encouraging others to share their love of the countryside. They have often been involved with HS for several years.

HS has a flexible staffing structure with a mixture of unpaid volunteers and paid seasonal, full-time and part-time staff (**Figure 1**). This flexibility is seen as key to the success of HS.

Seasonal staff are typically students on low hourly pay rates. They cover busy periods in the summer months when many hostels operate at or near to full capacity. In winter some hostels are closed, and others operate with limited opening times.

As well as seasonal demand, hostels have busy periods each day when guests leave in the morning and arrive in the late afternoon. The hostels will often be closed in between these times.

Figure 1: Overall staffing structure of HS



Staff at HS's head office in Lancaster, take responsibility for membership services, marketing and finance. Staff turnover in Lancaster has been high as employees have been attracted by higher salaries offered for similar roles in other organisations.

The revenue for HS is generated from guests' stays at the hostels, membership fees and payments for advertising on its website and in its newsletters. The trustees were concerned about the losses in 2015 and 2016 as they always prioritise the long-term financial stability of the organisation. Assets which had been built up over many years from donations from members, had to be used to meet these losses.

In 2016 the trustees decided to sell three small hostels in fairly remote parts of the Scottish Highlands, claiming that the low occupancy rate (capacity utilisation) of these properties was unsustainable. This was not popular with some members and attracted bad publicity in the media, as these hostels gave access to remote areas of outstanding natural beauty. The hostels were sold to a property developer who planned to use the land to build new housing developments. The sale of these assets raised £1.5m which funded the upgrade of other hostels, together with a promotional campaign aimed at boosting the demand for both people staying at hostels and becoming members of HS.

Overall demand for hostels in the UK has been declining as people now expect more facilities when booking accommodation and many prefer budget hotels. Other hostel organisations have changed what they offer, borrowing large amounts to fund expansion into city-centre hostels. The occupancy rate of these city-centre hostels has been high as the demand is less seasonal.

HS has decided to open a city-centre hostel in Edinburgh in 2018. This will:

- be funded by borrowing £3 million
- be aimed at people wanting to stay in the city at any time of the year
- offer more facilities than the existing hostels (such as TVs) in en-suite rooms
- be priced from £60 per night for a room for two people.

A number of HS stakeholders oppose this decision to open its first city-centre hostel.

Figure 2: Selected financial and performance data for HS

	2017	2016	2015
Number of hostels	23	26	26
Maximum capacity (overnight stays)	112 000	142 000	142 000
Number of overnights stays	74 000	75 000	76 100
Occupancy rate (capacity utilisation)	66.1%	52.8%	53.6%
Average price per overnight stay	£25.00	£23.50	£23.50
Variable cost per overnight stay	£5.50	£5.50	£5.00
Annual fixed costs for hostels	£1 300 000	£1 525 000	£1 450 000
Profit from hostels		(£175 000)	(£42 150)

END OF SOURCE

This question is based on the case study: The Hostel Society
AS Paper 2, June 2018 insert. Printed in full on the pages just before this one (from page 151).

< CASE STUDY

Do not write outside the box

0 3 Explain **one** factor that may have influenced the design of the promotional mix used by HS to try and boost demand.

[4 marks]

Extra space

4

Turn over for Question 4

Case study: Play Equipment Ltd (AS Paper 2, June 2024 insert)
The full case study for Q3 (4 marks), which follows on the next pages. Read it before answering.

Play Equipment Ltd

Play Equipment Ltd (PE) is a UK-based manufacturer of playground equipment such as slides, swings and climbing frames. PE Ltd makes and sells the equipment to business customers such as theme parks, holiday parks and schools. PE Ltd uses a sales team to promote its products to these business customers. PE Ltd has been running for 14 years. Until recently it had high market share in this competitive market and was known for its excellent quality equipment.

The operations manager believes that the raw materials supplier PE Ltd uses is to blame for its recent loss of market share. PE Ltd has used the same supplier for the last 5 years. However, in the last 18 months, there have been many faults reported with the raw materials. This has resulted in complaints from some of the businesses that PE Ltd supplies. The operations manager has returned the last shipment of raw materials used for the equipment, due to poor quality. The costs of the raw materials have increased, and so have the storage costs. The current supplier has not been able to offer just-in-time delivery. The operations manager thinks PE Ltd needs to find a new supplier before the situation gets worse.

The marketing manager is worried about the brand image of PE Ltd. In the last 2 years, PE Ltd has lost some of its brand loyalty. PE Ltd has faced tough competition from well-known toy brands that operate with lower unit costs. The shareholders of PE Ltd have expressed a desire to expand the markets in which the company sells. The shareholders want PE Ltd to start targeting individual customers, such as families who are looking to put play equipment in their homes and gardens. They have asked the managers of PE Ltd to undertake market research into this potential market to gather relevant data. Many of the managers disagree with this suggestion. Their intuition is to remain with the current market. However, the shareholders have asked the managers to produce a decision tree to decide whether to target the new market. If PE Ltd does decide to target individual customers directly this will significantly increase the number of potential customers. The marketing manager will need to create a new promotional mix. The finance manager would need a £50 000 loan to pay for the new promotional mix.

PE Ltd uses a range of financial and non-financial methods of motivation. The employees complete training every year to ensure they are aware of updates to machinery and processes. PE Ltd offers all employees the opportunity to work in the different departments, and managers use delegation to avoid employees becoming bored in their roles. The employees are paid below the industry average wage, but they can earn bonuses for hitting monthly productivity targets. Despite these incentives, labour turnover has increased from 10% to 35%. Employees have left due to better wages and higher bonuses being offered by competitors. PE Ltd's employees have many skills which can be used in other industries and this makes them hard to retain. It is difficult to recruit skilled employees due to lots of competition for workers in this rapidly expanding market.

Figure 1: Selected annual productivity data for PE Ltd

	2021	2022
Number of employees	102	108
Number of products made	25 500	27 648
Labour productivity	250	256

Figure 2: Selected financial data for PE Ltd

	2021	2022	2023
Monthly fixed costs	£21 000	£27 000	£30 000
Selling price per unit	£280	£300	£342
Variable cost per unit	£102	£120	£142
Units sold per month	800	1 200	1 850
Overdraft balance	(£85 000)	(£100 000)	(£150 000)
Retained profit	£100 000	£50 000	£30 000
Receivables due	£20 000	£25 000	£70 000

END OF SOURCE

This question is based on the case study: Play Equipment Ltd
AS Paper 2, June 2024 insert. Printed in full on the pages just before this one (from page 154).

< CASE STUDY

Do not write outside the box

0 3 PE Ltd is considering targeting individual customers directly in addition to selling to businesses.

Explain **one** impact this change could have on its promotional mix.

[4 marks]

Extra space

4

Turn over for the next question

Do not write outside the box

1 7

Sports Success

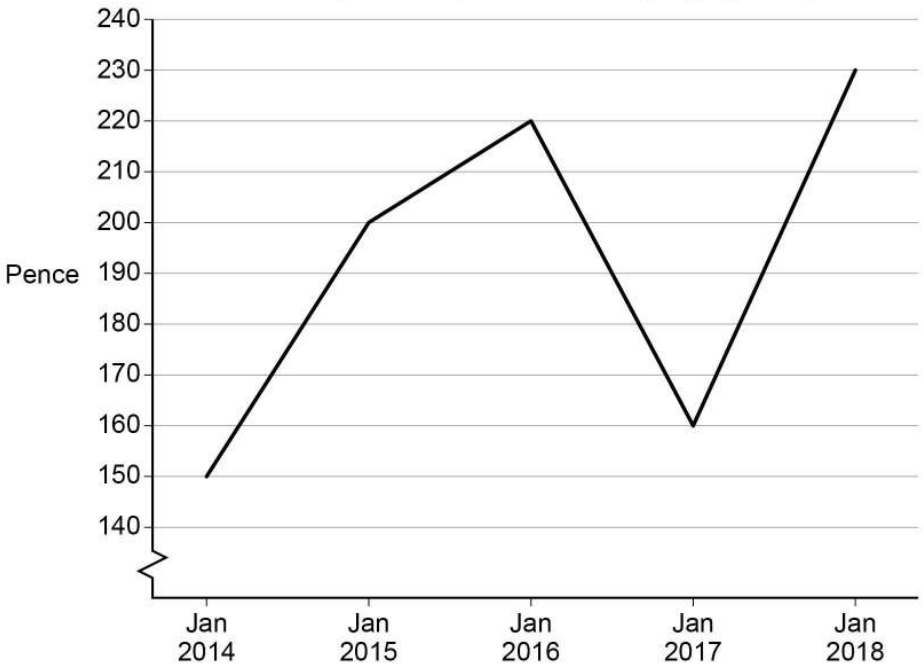
Sports Success plc is a well-known sports goods retailer operating in the UK and abroad. It employs over 20 000 people. In 2016, Sports Success was heavily criticised in the media for its treatment of staff in terms of their working conditions and pay. These announcements worried some shareholders because of the amount of negative publicity the company was receiving.

Sports Success responded to the media coverage by producing a report in January 2017 on its treatment of staff. This was seen as a positive move by the company. Although the company still does not negotiate with any trade union, it now:

- has one employee representative on the Board of Directors who is chosen by Board members. There are 11 other Directors, most of whom are senior managers
- has set up a feedback system called 'Be heard' for all staff, where they can email any issues of concern and make suggestions for improvements for staff. Senior managers have promised to read all the emails and said they will take action where they feel it is needed. Improvements that have occurred so far include free wi-fi and some improvements to the food in the canteens.

Over 20% of Sport Success' sales are online; the rest are through its stores. The company has recently invested over £200m developing its major stores. These new stores have better designs and more space for well-known brands such as Nike and Adidas. They are situated in prime retail shopping areas or out of town destinations.

Share price of Sports Success plc (in pence)



Do not write outside the box

1 7 . 1 Sports Success sells through its own retail outlets and online. Analyse how **two** elements of its marketing mix may differ between its retail outlets and its online store.

[9 marks]

Extra space

9

Do not write outside the box

1 7 . 2 The managers of Sports Success have introduced more employee representation in the business since 2017. To what extent do you think this is likely to benefit the company's stakeholders?

[16 marks]

Do not write outside the box

Section C

Answer **all** questions in this section.

1 6

Horizons Ltd

In 2010, Yusuf set up his own accountancy business, Horizons Ltd. Yusuf had previously been a successful manager in a large accountancy company.

Currently, Yusuf has 18 employees, all of whom report directly to him. Yusuf tells his staff to check all important decisions with him; he says this is because one wrong decision could be costly for the business both financially and in terms of its reputation.

As the business has grown, Yusuf has had to work longer hours. He is finding this workload a strain and recently had time off with stress. This delayed the completion of some jobs and Horizons Ltd had to charge some of its clients less for this accounting work as a result.

To try to increase revenue, Yusuf has recently decreased prices. Horizons Ltd now charges around 10% less than rivals. The business also spent £45 000 for the year on the promotional mix; £35 000 of this was on print advertising such as newspapers and £10 000 a year on social media advertising.

Yusuf's team is made up of newly qualified accountants. Staff morale is very low. The productivity of the staff is lower than at several rival businesses despite the fact that they are paid 8% more than the industry average. Many staff feel they are unable to use their initiative and that they have little responsibility. Labour turnover is high at the business.

Yusuf has recently hired a management consultant to look at how he can improve the performance at Horizons Ltd.

The consultant:

- has produced some analysis of the forecasted effectiveness of print and social media advertising for Horizons Ltd (see **Figure 2** and **Figure 3**)
- has estimated that the price elasticity of demand for Horizons Ltd work is –0.3.

The consultant has also produced a plan for a new organisational design in which she recommends that Yusuf:

a) recruits three new managers from outside of the business to manage six staff each
b) delegates to these new managers much of his day-to-day work.

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Figure 2

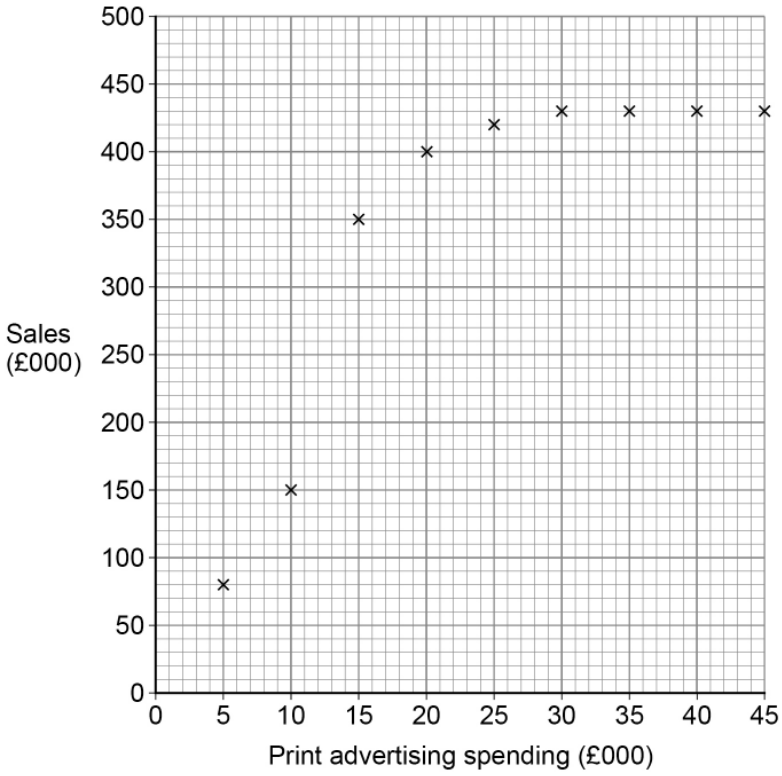
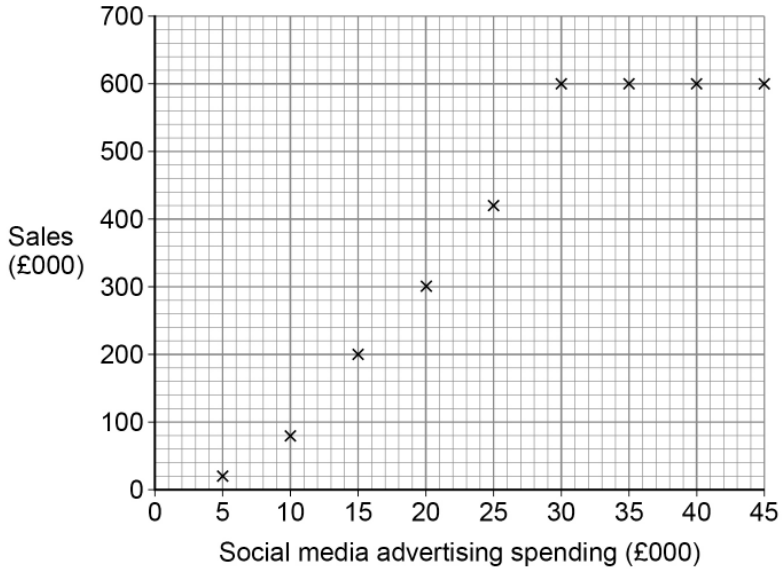


Figure 3



1 6 . 1 Analyse the marketing actions that Horizons Ltd could take to increase its revenue.

[9 marks]

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Extra space

9

Case study: Hoods Ltd (AS Paper 2, June 2025 insert)
The full case study for Q4 (9 marks), which follows on the next pages. Read it before answering.

Hoods Ltd

Hoods Ltd designs, manufactures and sells hoodies and other sportswear to retailers in the UK and Europe. Hoods Ltd was set up in 2002 by an entrepreneur, Habib. The business is successful and has grown quickly. It has four factories in the UK.

The product portfolio for Hoods Ltd has grown in the last three years. It now includes tracksuits, t-shirts and swimwear, as well as the original hoodie design. The clothes are made from high-quality materials. Hoods Ltd sources these from suppliers that use ethically sourced raw materials.

Habib started Hoods Ltd with the aim of wanting the business to be different from regular sportswear businesses. Hoods Ltd competes against global brands. These brands spend heavily on promotion. Habib decided to only use suppliers that sign up to Fair Trade and other similar agreements. Habib created a mission statement that he feels has set Hoods Ltd apart from other brands.

Hoods Ltd mission statement: 'Hoods Ltd only uses ethically sourced raw materials. This ensures excellent quality for our clothes and shows our commitment to being part of a more sustainable world.'

Using Fair Trade suppliers means that Hoods Ltd pays premium prices for materials. In the last year, the cost of materials has increased drastically. Habib has reassured the shareholders that these cost increases can be passed on to customers. He believes the Hoods Ltd brand and the quality of the clothes are strong enough to justify any price increase.

The marketing manager, Clara, is concerned that Hoods Ltd relies too heavily on repeat customers and is not promoting the company sufficiently. Following a recent dip in sales, Clara wants to increase the spending on promotion to reach more customers. Hoods Ltd has a website and Instagram account but these are not regularly updated. Habib does not agree with Clara and sees the dip as a temporary issue. He feels that the brand is well established in the market and that the clothes will 'sell themselves'. Habib estimates that the price elasticity of demand for Hoods Ltd's products is –0.1

Hoods Ltd employs 70 production staff who work in one of the four factories across the UK. Each factory has a site manager. The site managers regularly complain that they are not trusted to make decisions for their sites. Last week one of them left the business to work for a competitor. Habib is the majority shareholder and manages the company. His role includes setting and analysing all of the operational budgets for the company. Recently, Habib has struggled to manage this workload and decision-making has been slow. He is considering delegating the control of the budgets to the site managers which means they will allocate and decide how the money is spent.

The company has always generated healthy profits and had positive cash flow. However, in the last two years, there have been some major cash flow issues. One of the large retail customers for Hoods Ltd closed down without paying for its recent orders. The finance manager, Parvin, believes that many of Hoods Ltd's retail customers value the 60 days they have to pay for their orders. Parvin, therefore, suggests that Hoods Ltd should take out an overdraft, despite knowing that interest rates are currently high and may increase. Some of the shareholders are worried that this financial situation may continue and have asked Habib to urgently look at the cash flow position.

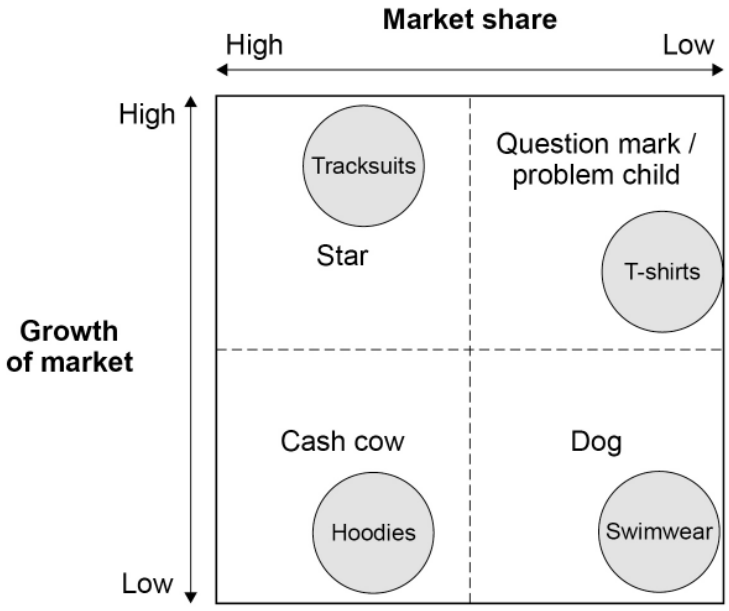
Figure 1: Financial data for 2022 to 2024

	2022 £m	2023 £m	2024 £m
Sales revenue	5.75	6.21	6.90
Cost of sales	4.30	4.60	5.07

Figure 2: Average time taken for customers to pay (days)

	2022	2023	2024
Hoods Ltd	60	60	60
Industry average	60	45	30

Figure 3: Hoods Ltd Boston matrix product portfolio 2025



END OF SOURCE

This question is based on the case study: Hoods Ltd

AS Paper 2, June 2025 insert. Printed in full on the pages just before this one (from page 163).

< CASE STUDY

Do not write outside the box

0 4 With reference to **Figure 3**, analyse the possible consequences to Hoods Ltd of continuing to sell swimwear.

[9 marks]

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0 3 Read the information below and then answer the questions that follow.

Kento Cola

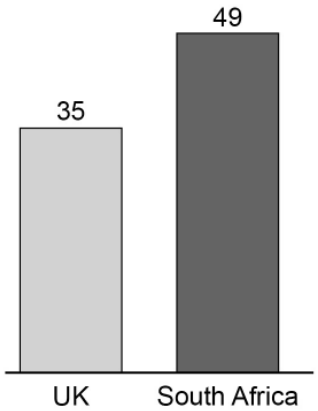
Carbonated soft drinks (CSDs), such as cola, are non-alcoholic, fizzy beverages containing flavourings, sweeteners and other ingredients. CSDs have been criticised by some commentators for contributing to an obesity crisis. The World Health Organisation is encouraging more governments to place a tax on CSDs.

Kento Cola is a drinks manufacturer based in the UK. It is presently reviewing its portfolio within Europe, which traditionally has been its biggest market. Recently the company has also been investing more money into markets outside of Europe. For example, it is set to invest £2.4 billion in Africa by 2020. Last month Kento announced a planned merger with one of South Africa's largest bottled water and still drinks producers.

Whilst other economies are in decline or experiencing slow growth, Africa is continuing to achieve high growth rates. Consumer spending, already rising, is expected to boom between now and 2024 reaching £1.7 trillion per year in 2030. However, trying to grow in any international market brings its challenges and the many countries within Africa differ significantly – for example, socially, politically, culturally and economically as well as in terms of their competitive environment.

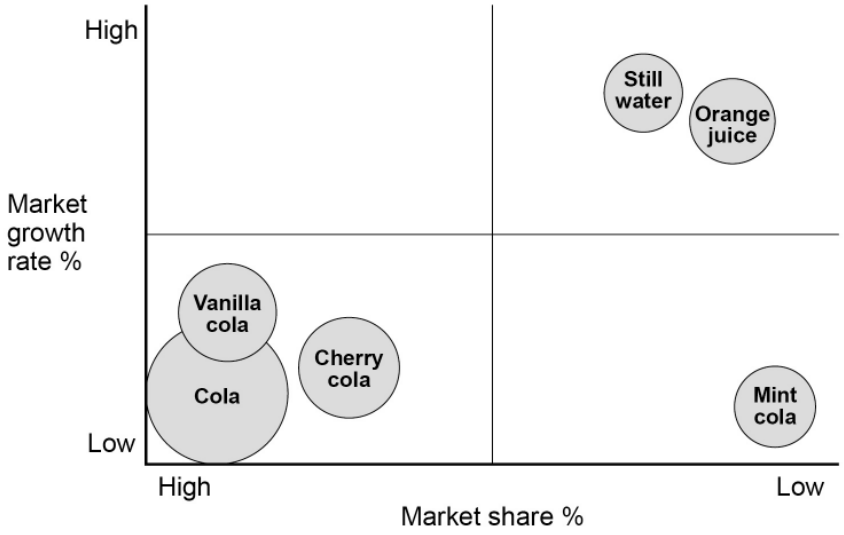
Figure 7: A comparison of Power Distance index, one of Hofstede's cultural dimensions, between the UK and South Africa.

The rating is an index number out of 100.



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Figure 8: Kento's products in Europe



The area of the circle represents the product's revenue.

Figure 9: A comparison of Africa and Europe in 2016

	Africa	Europe
Population	1 218 million	738 million
Annual population growth	2.53%	0.06%
% population that is urban	40%	74%
Average age	19.5 years old	41.9 years old
Average annual income per person	£1 400	£29 200

Question 3 continues on the next page

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0 3 . 1 A manager from the UK is moving to South Africa to lead a team of local staff. Explain how the difference in Hofstede's cultural dimension of 'Power Distance' shown in **Figure 7** might affect her management style.

[9 marks]

Extra space

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9

0 3 . 2 With reference to **Figure 8**, analyse the actions Kento should take regarding its product portfolio in Europe to improve its long term financial performance.

[9 marks]

Extra space

20

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0 3 . 3 To what extent is Africa an attractive market for **all** businesses wanting to sell their products internationally?

[16 marks]

Case study: Hopps London (A Level Paper 3, June 2018 insert)
The full case study for Q1 (12 marks), which follows on the next pages. Read it before answering.

Source 1

Hopps London

Jack Hopper started his business, Hopps Clothing Ltd, a year ago. Although he enjoyed the £25 000 salary he was earning working for a bank, he was frustrated by the routine work and was eager to test his entrepreneurial skills. With an eye for an opportunity, Jack took his interest in fashion and turned it into a business which he would run in his spare time. Hopps Clothing Ltd produces a small range of clothing, reflecting Jack's interest in 'urban style' clothing and accessories.

Jack's first attempt at a range of clothing consisted of three items – caps, beanie hats and T-shirts featuring his own Hopps London logo. Information on the costs and prices of these items is shown in **Appendix A**. Still living with his parents, Jack used their house and garage as his storage space and his bedroom as an office. This kept his fixed costs to a minimum.

As a new, small clothing brand, Jack had two distribution options:

- sell online only through his own website
- sell through retailers.

Jack needed to find a way to distribute his clothing to consumers. Finding a retailer that was interested in selling his clothes was difficult. He did receive a proposal from Debenhams, who demanded exclusive distribution rights and expected high retail margins, as shown in **Appendix A**. Jack felt that selling through his own website allowed better targeting of the 15–30 year–olds that made up his target market.

As a start-up business Jack found it hard to find manufacturers willing to produce the small batches he wanted to order. He did find a supplier who was willing to produce his designs in batches of no fewer than 200 units for each design. For the T-shirts, Jack ordered a total of 200 in a range of sizes, following advice from the supplier on which would be likely to sell best. As Jack's was a new business, the supplier was unwilling to offer credit, so Jack had to use his savings and an overdraft to pay for all the stock in advance. Once his supplier had delivered, Jack's parents' house was suddenly full of cardboard boxes containing products that Jack now had to sell. Jack's parents were not happy.

Jack knew that in order to build his brand, promotion would be critical in such a crowded market. His strategy used social media. Instagram was his preferred platform. He initially used friends, and even himself, to model his clothing. Sales did not happen as quickly as he had hoped. Chatting to other entrepreneurs, Jack found that celebrity endorsement can be critical if using social media. Jack used several 'lesser known' celebrity endorsements to generate sales – as major stars with thousands of followers charged too much for an endorsement. In his first year Jack spent a total of £1000 on social media. The items shown in the Instagram posts sold well. Jack had sold out of the most popular sizes and colours within a couple of weeks of each post. It took the rest of the year to sell the rest of his stock – and therefore return Jack's bank balance to positive figures.

Planning a new range

For his next range of clothing, Jack has decided to only produce T-shirts, themed around famous brands of his childhood. He plans to have the full range of designs manufactured and ready to sell at Crepe City, a major urban footwear and fashion fair in London, which takes place in 25 weeks' time. Jack plans to use network analysis to help him manage the process of getting everything ready in time for the launch. **Appendix B** shows the activities Jack needs to complete before launching the new range, and the network diagram he constructed. Since constructing the diagram, Jack's designer has told him it will probably take 5 weeks to digitalise his new designs, while the website re-design is likely to take 14 weeks.

The future

Jack has really enjoyed starting his own business. He would love to turn it into a full-time job. However, he is not willing to do so unless he can earn the same amount of profit from the business as his salary at the bank.

If Jack quits his job, he plans to pursue a 3-year growth strategy involving:

- recruiting eight regional salespeople covering the whole of the UK to visit retailers
- recruiting a full-time website administrator
- recruiting a specialist digital marketing director
- renting a storage unit for inventory
- increasing his annual marketing budget.

In addition to carefully monitoring the work of his new recruits, Jack would spend time visiting potential suppliers, as well as working on new designs for clothing and managing the business's inventory and finances.

Jack recognises that the business would need to grow rapidly to achieve his objective of £25 000 profit but is concerned by the problems that growth would bring. However, he has unshakeable faith in the brand, and his designs, and his bank job is not getting any more interesting.

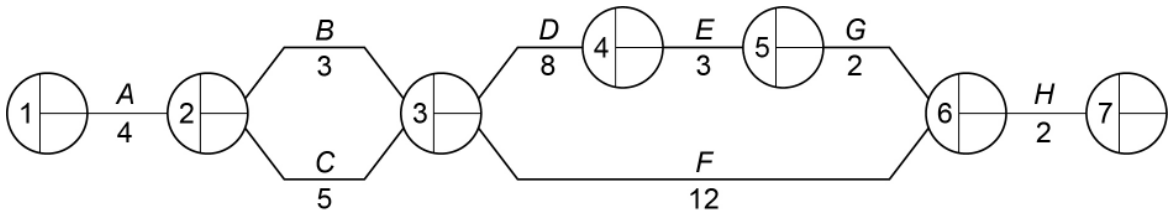
Appendix A Financial data for Hopps Clothing Ltd last year

	Cost per unit – paid by Jack to his supplier (£)	Price that Debenhams offered to pay Hopps Clothing Ltd (£)	Retail selling price (£)
T-shirts	9	15	24
Caps	7	12	20
Beanie hats	7	10	16

Other costs incurred:

- marketing costs of £1000
- £10 per month website fee
- bank account fee £10 per month.

Appendix B



Activity		Jack's original estimated duration (weeks)
A	Jack produces designs	4
B	Designer digitalises designs	3
C	Jack arranges a supplier	5
D	Manufacturing	8
E	Arrange and execute photoshoot for social media campaign	3
F	Website re-design	12
G	Social media campaign runs	2
H	Final preparations for product launch event at Crepe City	2

Source: Jack's own estimates

Appendix C

Forecasts for next year if Jack runs the business full time

Item	Expected annual online sales volume	Expected online selling price (£)	Expected annual sales volume through retailers	Expected price retailers will pay Jack (£)
T-shirts	2000	24	33 000	15

Additional information for next year if Jack runs the business full time:
Total fixed costs = £200,000
Variable cost per unit = £9

END OF SOURCES

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This question is based on the case study: Hopps London
A Level Paper 3, June 2018 insert. Printed in full on the pages just before this one (from page 172).

< CASE STUDY

Answer **all** questions in this section.

Read the **case study** in the **insert.**

Do not write outside the box

0 1 Analyse **two** benefits to Hopps Clothing Ltd of creating a strong brand.

[12 marks]

Extra space

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12

0 2 Analyse the value of effective inventory control to Hopps Clothing Ltd. **[12 marks]**

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Extra space

Case study: AM plc (Aerial Manufacturing plc) (A Level Paper 3, November 2021 insert)
The full case study for Q1 (12 marks), which follows on the next pages. Read it before answering.

The past

Aerial Manufacturing plc (AM plc) manufactures toys. For 20 years the business has made remote-controlled toy aircraft, drones and helicopters. These have been sold through retailers in the UK. Shortly after the company was founded, it moved all its manufacturing operations to a factory in China. This allowed AM plc to take advantage of cheap manufacturing costs – primarily due to the low wages paid to factory workers in China at the time. The company's headquarters – including its product design department – stayed in the UK.

A new boss

A new Chief Executive, Roger Hicks, was appointed a few months ago. Prompted by shareholder dissatisfaction over low profitability, he was given two main objectives:

- increase sales turnover quickly
- increase dividend payments to shareholders by 2025.

Roger immediately analysed the existing strategic position of the business. He knew that recent rises in wage rates in Chinese factories meant that wage rates there are now closer to those in the UK. He analysed performance data from the AM plc factory (Appendix A) and visited the factory. He found what Blake and Mouton would describe as a 'produce or perish' style of management. Unlike similar factories in China, which use a 'middle of the road' style, AM plc's factory relied on a high division of labour where each worker completed one small repetitive task. Supervisors were paid a bonus according to the output per worker for their section. As a result, rest breaks had been shortened and shifts extended by supervisors desperate to achieve bonuses for themselves. Following his review, Roger knew things had to change and introduced a new corporate strategy.

A new corporate strategy

AM plc will no longer make toys or sell through retailers. Roger's new strategy will build on the company's existing expertise in manufacturing remote-controlled aircraft and drones but targeting different customers. AM plc will design and manufacture sophisticated drones to be used by businesses which need an aerial capability as part of their operations. Drones are used in many industries including agriculture, construction and distribution. Roger intends to produce a range of drones specialising in inspection, high-quality video footage and parcel delivery.

AM plc will be selling directly to businesses. Roger is confident that this strategy offers opportunities for huge growth as it is founded on the company's core competence of designing and manufacturing drones. Instead of trying to be a cheap supplier in the mass market for toys, the business will switch to a strategy of focused differentiation. Differentiation will come from being a long-established business in the industry with exceptionally high-performing and durable products. Market research is encouraging, with sales forecasts shown in Appendix B.

A new site

Roger believes he must move AM plc's manufacturing back to the UK. His operations director has identified two possible sites for a new factory. Site A is 30 miles from London. The area offers an attractive place to live and work, easy access to many potential customers' headquarters and good transport links to the rest of the UK. Site B is in the North West of England. After the recent closure of a nearby car factory, local unemployment is high. Site B is £2m cheaper than Site A and close to a port, therefore offering easy shipping for exports. Further data about each site is in Appendix C.

A new factory

Roger's vision of the new factory focuses on highly skilled workers using advanced robotics. Output will be of exceptionally high levels of quality, but with the flexibility to adjust the products being made to suit individual customers' specific requirements. Roger will use a 'Just in Time' system at the new factory. This will have implications for the frequency and size of deliveries, cash flow and the inventory turnover ratio.

Building a factory will be a complex process involving thousands of different activities. Roger understands the challenges involved in planning and managing a project of this size. In a former job as project manager for a multinational manufacturer, he had supervised the construction of several factories. He intends to use network analysis to identify the critical path. The existing factory in China will be closed in ten months and Roger is confident the new factory will be operational by then.

Finances

Roger has allocated a total budget for the change in strategy of £10m. Much of that will be spent on the new site, factory and production equipment, with the rest available for marketing. He has a bank loan arranged to borrow up to the full £10m.

Roger is confident that his decisions will lead to success in meeting his two objectives.

Appendix A 2020 performance data on AM plc's Chinese factory and similar factories in China

	AM plc Chinese factory	Average for similar factories in China
Unit cost	£23	£25
Productivity (units of output per worker per month)	240	200
Labour turnover	40%	15%
Defect rate per 1000 products	80	10

Appendix B Sales forecasts for AM plc based on quantitative market research

Years after change of strategy	Sales volume (units sold)	Sales value (£m)
Year 1	2300	11.5
Year 2	2800	14
Year 3	4000	20
Year 4	6000	30

Appendix C Information on possible sites for AM plc's new factory

	Site A	Site B
Initial investment (purchase of land plus factory construction and production equipment)	£8m	£6m
Average selling price per unit	£5000	£5000
Fixed costs per year	£6m	£4.5m
Variable costs per unit	£2500	£3000
Maximum capacity (units per year)	10 000	8000

Appendix D Extracts from latest annual accounts for AM plc

	£m
Sales turnover	22
Cost of sales	20
Inventories	5
Other current assets	1
Current liabilities	6
Non-current liabilities	5
Total equity	15

END OF SOURCE

This question is based on the case study: AM plc (Aerial Manufacturing plc)
A Level Paper 3, November 2021 insert. Printed in full on the pages just before this one (from page 178).

< CASE STUDY

Answer **all** questions.

Read the **case study** in the **Insert**.

Do not write outside the box

0 1 Analyse how AM plc needs to change its marketing mix to make its new strategy of focused differentiation successful.

[12 marks]

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Case study: SSN Ltd (A Level Paper 3, June 2022 insert)
The full case study for Q1 (12 marks), which follows on the next pages. Read it before answering.

Rapid early success

Ten years ago, Bemi Agboola perfected her first commercial cybersecurity system. The innovative software used a totally new approach to protect against hackers' attempts to steal customer data from retailers' e-commerce websites. Though others have produced similar systems, Bemi's business (SSN Ltd) is now well established in the cybersecurity market. The company has branched out into other aspects of cybersecurity by designing and installing tailor-made security systems for large businesses. At the heart of the business remains Bemi's programming – protected, like any piece of software code, by copyright.

Bemi has shown a fearless approach to making major decisions quickly. She does not see the need for strategic planning, preferring to seize opportunities as they arise. As a result, SSN Ltd has kept up with the high rate of technological change that characterises the cybersecurity industry. Bemi's approach to decision-making has enabled SSN Ltd to experience a phenomenal growth in sales (**Appendix A**). One consequence of this growth has been the need to expand its workforce. Bemi has hired programmers, administration, marketing and sales teams, many straight from university. From simple beginnings, the business now rents an expensive head office in London and regional offices in New York and Beijing. With over 100 employees across its three offices, Bemi feels it is increasingly hard to monitor what is happening within the business.

Bemi remains determined to keep increasing the company's share of the highly competitive cybersecurity market and therefore spends heavily on promoting the business and its products. The objective is to raise SSN Ltd's profile among global business leaders who are her potential customers, as a complement to more direct methods of targeting them (see **Appendix B**).

Problems emerging

Despite its growth in revenue, the company has always had a very low operating profit margin. Cash flow has been a major problem in the last few months. In the past, SSN Ltd had found it easy to borrow money. Now its bank has stated that it is no longer willing to increase SSN Ltd's overdraft. Part of SSN Ltd's problem has been slow payment from its customers. Bemi is considering the use of debt factoring to improve its cash flow. The debt factor would charge a fee of 5% of any debt that is factored.

Everybody working for SSN Ltd knows that the business is very much controlled by Bemi. She owns 51% of the shares and makes all major decisions. Managers who want to succeed within the company tend to be those who can anticipate Bemi's wishes and implement her ideas. Within this power culture, Bemi uses a very 'hands-on' approach, taking a keen interest in the work of her programmers. Bemi tries to drop into each office frequently. This is a habit that some managers feel is based on an unwillingness to fully delegate decision-making to them. This has created an environment where some staff expect Bemi to check or even reverse decisions they make.

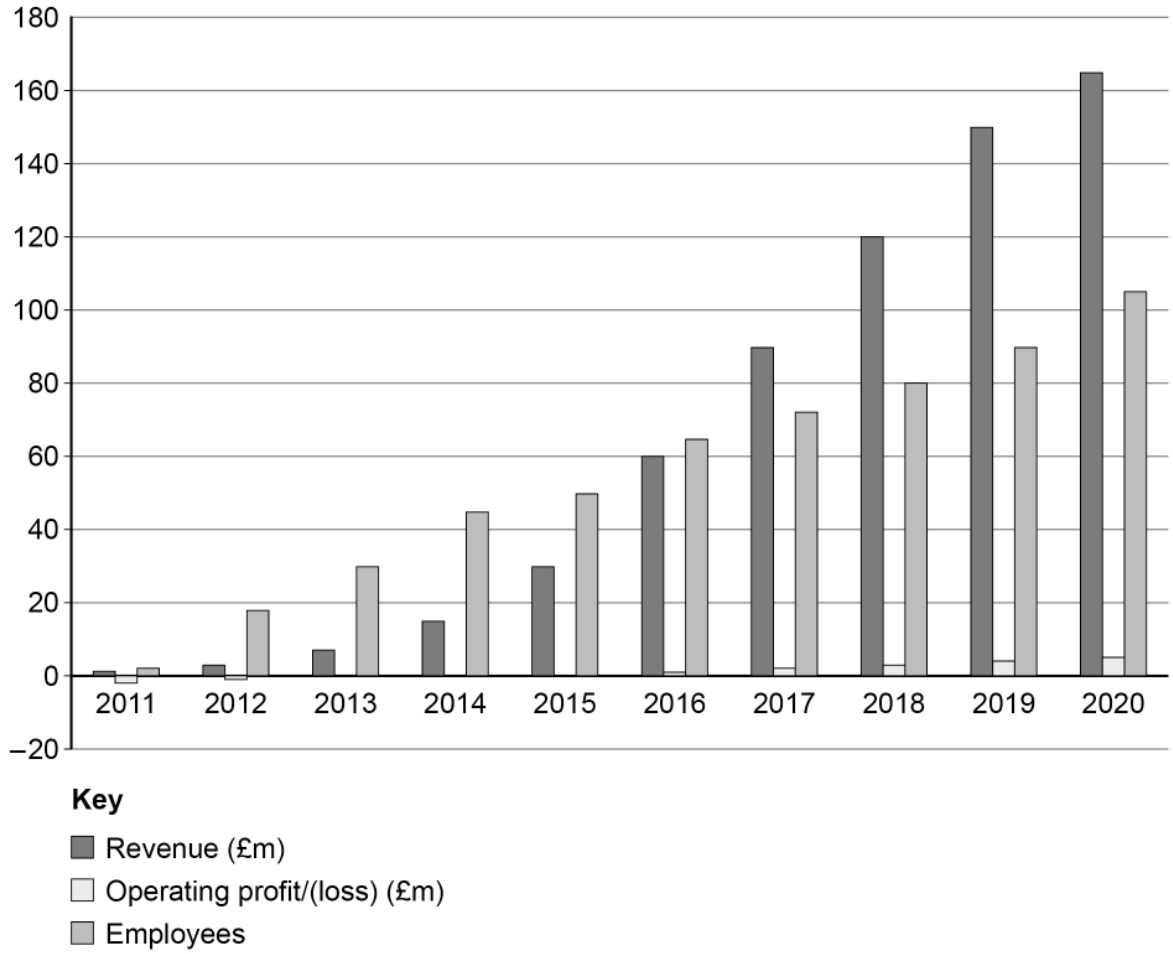
The future

The business media often features stories about SSN Ltd. Its expansion has been exceptional, even in a market which continues to grow rapidly. During the last year, Bemi has been increasingly criticised for the way she has been running the business.

This has centred on what some consider to be excessive risk-taking. In recent days, several sources have suggested that a major competitor is preparing a takeover offer for SSN Ltd. These rumours have suggested that the competitor may be prepared to pay £50m for SSN Ltd, primarily to acquire the copyright to SSN Ltd's software. Analysts say that this competitor is likely to shut down SSN Ltd, terminating the contracts of all staff but preserving the brand name and the software.

Detailed examination of SSN Ltd's financial information (**Appendix C**) suggests that the business may be close to failure.

Appendix A SSN Ltd historic data



Appendix B SSN Ltd breakdown of 2020 promotional expenditure (£m)



Appendix C

Table 1 SSN Ltd balance sheet (statement of financial position) as at 31/5/21

	£m
Non-current assets	25
Inventories	0.5
Receivables	16.5
Payables	(18)
Overdraft	(5)
Non-current liabilities	(18)
Net assets	**1**
Total equity	**1**

Table 2 SSN Ltd income statement for year ended 31/5/21

	£m
Sales turnover (revenue)	165
Cost of sales	(50)
Expenses	(110)
Operating profit	5
Net finance cost	(4)
Profit for the year	1
Dividends	(3)
Retained profit/(loss)	(2)

END OF SOURCE

This question is based on the case study: SSN Ltd

A Level Paper 3, June 2022 insert. Printed in full on the pages just before this one (from page 185).

< CASE STUDY

Answer **all** questions.

Read the **case study** in the **Insert**.

Do not write outside the box

0 1 Analyse the factors affecting SSN Ltd's promotional decisions.

[12 marks]

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Charlotte's Sculptures

Charlotte is passionate about art and design. In 2014 she began producing and selling unique art sculptures. She was an art college student at the time with no business qualifications but did win a national art award. In 2016, Charlotte was offered a large contract from a national high street department store called Doyles. Charlotte has had to work long hours to meet the order but loves making the art. All of her sculptures are sold under the Doyles brand name.

To agree the contract, Charlotte met with a senior buyer from Doyles' head office. Doyles centralises all its decisions about purchases, prices and inventory. The company has 3000 employees and 52 stores in the UK, based in many locations from wealthy large cities to smaller market towns.

The contract that Charlotte has means that she must sell her pieces exclusively to Doyles. She only receives her payments once the sale occurs in store.

At the end of this year the contract between Doyles and Charlotte must be renewed or terminated. Doyles' senior management team is keen to renew on the same terms. The market for art sculptures is growing rapidly. Charlotte thinks there may be more money to be made by selling her products herself online. She has completed some estimates below:

	Current net profit margin %	Selling price £	Sales forecast per week for 2020 (units)
Selling to Doyles	10	200	40
Selling online	40	160	18

As part of her research, Charlotte spoke to a jewellery business who started selling independently in 2015 after cancelling a contract with Doyles. After the conversation Charlotte noted the following points from the jeweller:

- online advertising costs are rising rapidly
- social media pages help advertising if they engage audiences with content daily
- strong branding is important; the jeweller had a campaign backed by a celebrity which boosted sales in one year by 300%
- the jeweller's sales forecasts for the first year were far too optimistic
- four years later the jeweller's sales are higher than they were under the Doyles contract.

The jewellery business owner had a degree in marketing and assistance from friends.

17.2 Do you believe that Charlotte should renew her contract with Doyles or start selling online only? Justify your answer.

[16 marks]

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16

END OF QUESTIONS

Case study: Parkside Theatre (AS Paper 2, November 2020 insert)
The full case study for Q6 (16 marks), which follows on the next pages. Read it before answering.

Parkside Theatre

Parkside Theatre is a small independent cinema that shows films but also hosts music, comedy and drama events. It is based in a historically important town centre building built in the late 1890s. This building has been renovated using a government grant; a condition of the grant was that the style of the building was preserved.

The business has been owned by the Sanderson family for several generations. They are keen that the business is managed in such a way that the building's architecture is protected, but Parkside Theatre must generate a return on investment.

Lorna has been the general manager of the business for six years. She has full control of day-to-day management. Lorna has been working to improve the capacity utilisation of the cinema. The directors have set her a capacity utilisation target of 70%.

Figure 1: Average cinema attendances at Parkside Theatre 2019

	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Weekly total
Attendance	220	175	-	223	354	629	575	
Maximum capacity	400	400	-	400	400	800	800	

Note: the cinema is closed on Wednesday and has two shows on Saturday and Sunday.

The cinema is in an area that has a small tourism industry, causing increasing attendances during the summer. There are also peaks of demand at Christmas and Easter, linked to school holidays. Incomes in the area have risen faster than the national average over the last 10 years (as shown in **Figure 2**) and are forecast to continue to do so.

Lorna has used hunches, based on intuition, in order to decide on projects, such as introducing comedy events to make greater use of the facilities. Some of these projects have been successful.

Part of Lorna's role is managing cash inflows and outflows. She has a financial objective of maintaining a positive cash flow.

The core cinema business is staffed by a small team of permanent employees; most are part time and have been at the business for many years. Parkside Theatre has gained praise for its staff training, winning awards in 2017 and 2018.

'Our Place'

Rising demand for venues hired for business meetings and conferences led Lorna to believe this could be an opportunity for Parkside Theatre. A large, unused room could be developed to create several small meeting rooms, but required investment from the owners for modernisation. The work would remove some internal historical features.

The board of directors of Parkside Theatre were concerned that competition was well established in the local area. They insisted that they could only support the investment if Lorna adopted a scientific decision-making process and that she presented evidence to support the project.

Lorna completed a range of primary and secondary market research into the demand for meeting venues. She interviewed local business managers about services they would expect. She then completed detailed analysis to support her argument. A selection of the results is included in **Figures 2** and **3**.

After studying Lorna's evidence, the directors agreed to invest what they felt was a large amount of finance.

In April 2019, the meeting rooms launched under the brand name 'Our Place'. The historic exterior of the building is a unique selling point and Lorna chose to set the prices using price skimming. 'Our Place' was promoted to local and regional businesses offering helpful staff, comfortable seating, catering and state-of-the-art IT facilities.

To operate 'Our Place' flexibly, Lorna has been unable to offer guaranteed weekly hours of work for employees, although she would have liked to do so. Training is provided during the induction of staff members to achieve high standards of customer service. Staff retention has been low for the staff delivering the 'Our Place' services during the first year, though Lorna has managed to regularly recruit new staff by focusing on the local student population.

Lorna recognises that the future demand for Parkside Theatre services depends on changes in the external environment but thinks her decision-making has a greater impact. She realises this may not be true for managers in all businesses.

Figure 2: Selected data from secondary research

Annual growth in income (UK) 2009–2018	1.3%
Annual growth in income (locally) 2009–2018	2.3%
Annual growth in the market for meeting venues (UK 2015–2018)	4.5%

Figure 3: Selected data from Lorna's primary research

Research based on interviews with 20 local businesses that rent meeting rooms	
Do you rent rooms more than once a month?	45% yes
How satisfied are you with local meeting venues?	20% satisfied
If choosing a meeting room, what is the most important factor?	
• Price	55%
• IT facilities	20%
• Comfort/surroundings	20%
• Staff/customer service	5%

END OF SOURCE

This question is based on the case study: Parkside Theatre
AS Paper 2, November 2020 insert. Printed in full on the pages just before this one (from page 196).

< CASE STUDY

Do not write outside the box

0 6 Was Lorna right to choose 'price skimming' to set the price for the hiring of the 'Our Place' meeting room? Justify your answer.

[16 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

Section C

Answer **all** questions in this section.

1 6

Rockall Ltd

Rockall Ltd is a family-owned business that has manufactured clothes for 30 years. The company has grown steadily without taking 'excessive risks'. The business targets the 16–30 age segment of the clothes market where low prices are important to customers. Rockall is recognised in this market for its 'good value'. To keep production costs low, basic materials and designs are used for all the products it makes. Rockall does not use advertising.

Table 1 Extracts from Rockall Ltd Income Statements 2019 and 2020

	2020	2019
Revenue	£850 million	£650 million
Gross profit margin	80%	75%
Operating profit margin	38%	45%

2020 was a busy year for Rockall:

- It doubled the size of its rented head office.
- Several new retailers signed contracts to sell its products. This resulted in larger purchases of materials allowing it to negotiate considerable discounts.
- It introduced lean production.
- It introduced a new layer of management.

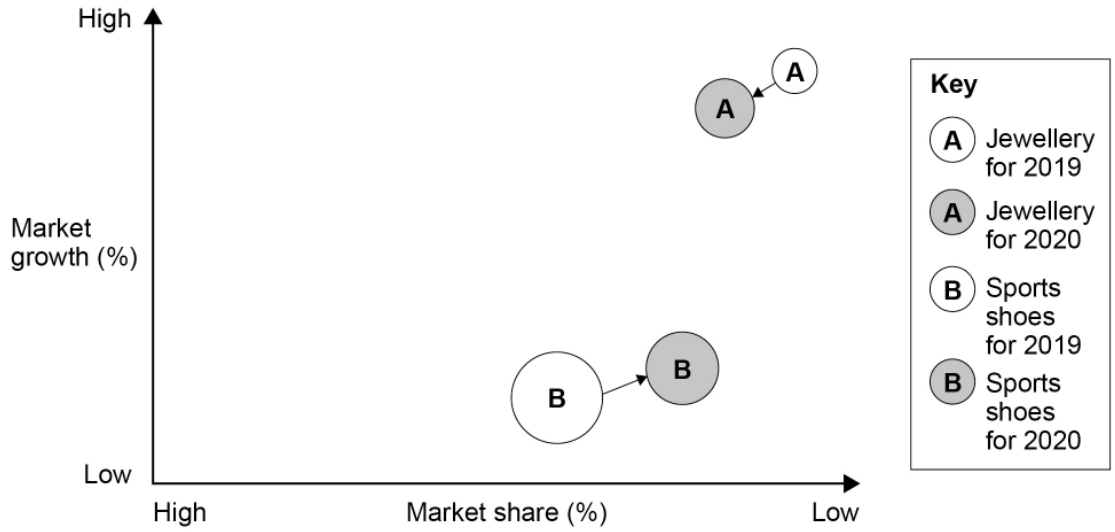
Rockall is thinking about the future. In the last couple of years it has launched two new product ranges: sports shoes and jewellery accessories. It has now decided that, in addition to its clothing, it will increase its investment in just one of these new product ranges. Recently, Rockall completed market research that showed:

- total sales in the sports shoe market targeted by Rockall were double jewellery market sales last year
- many customers in the sports shoe market are in the 16–30 age range
- a number of large, well-known sports shoe brands dominate this market, spending several hundred million pounds on advertising
- the sports shoe brands charge high prices and make high profit margins
- its jewellery generally has a lower gross profit margin than its sports shoes
- there are many relatively small producers in the jewellery market.

Do not write outside the box

Following its research, Rockall produced the Boston Matrix below relating to its existing products in the sports shoe and jewellery markets in 2019 and 2020:

Figure 1 Boston Matrix
(The area of a circle represents the sales value of the product.)



1 6 . 1 With reference to **Table 1**, analyse the causes of the changes in the profit margins for Rockall Ltd between 2019 and 2020.

[9 marks]

Do not write outside the box

1 6 . 2 Rockall plans to increase investment in just one of its new product ranges.

Advise Rockall whether to increase investment in its sports shoe range or its jewellery range.

Justify your answer.

[16 marks]

Do not write outside the box

Extra space

Do not write outside the box

16

Do not write outside the box

Section C

Answer **all** questions in this section.

1 6

BZT Ltd

Dean Beacon runs a family electricals business, BZT Ltd. BZT Ltd sells computers, mobile phones and household electrical items from its 15 high street stores. The stores are in prime, central locations which leads to high rent payments. BZT Ltd holds all of its inventory at its stores.

Recently BZT Ltd has received poor online reviews. Dean knows online reviews now play a large part in how many customers choose a retailer. The poor reviews were due to BZT Ltd quickly selling out of products. Dean is considering holding more inventory to prevent selling out. There is a long lead time when BZT Ltd orders these products. The suppliers offer significant discounts for large orders. Currently BZT Ltd does not get these discounts as it only orders 70% of what is needed to qualify for the discount.

Dean is concerned that profits fell in every one of the last three years. BZT Ltd's competitors are now increasingly online only. Dean has carried out the following research comparing BZT Ltd to online competitors.

Table 1 Dean's research

	BZT Ltd	Online competitors
Inventory storage costs	£200 per square metre	£70 per square metre
Average gross profit margin	32%	65%
Last year's change in profit margin from operations	–4%	+2%

BZT Ltd is the only retailer in the market that provides a free three-year support service with every item. The business needs specialist staff to provide this service.
The support provided includes:

- setup
- installation
- cover of any repair costs for three years.

BZT Ltd spends 10% of its marketing budget advertising this support service and spends over 70% promoting its traditional price match promise. The price match promise means that BZT Ltd will always lower the price of any product to match that of any competitor offering the same product. Dean believes the business is widely recognised for its price match promise which it has offered for over 50 years.

Dean has discovered the fastest-growing demographic in the market is the over 60s. The over 60s now account for over 30% of sales. Dean has carried out the following additional research on the market.

Do not write outside the box

Table 2 Market research

	BZT Ltd	Online competitors
Average age of customers	62	28
Average price elasticity of demand	–0.4	–1.8
Percentage of customers expressing an interest in a support service	68%	6%

16.1 Analyse how increasing the level of inventory held could impact on BZT Ltd's profitability.

[9 marks]

9

Turn over ►

Do not write outside the box

16.2 Dean is considering removing BZT Ltd's price match promise and focusing more on its free support service instead.

To what extent do you think this is the right decision?

[16 marks]

Do not write outside the box

Extra space

Do not write outside the box

Do not write outside the box

16

Case study: Hoods Ltd (AS Paper 2, June 2025 insert)
The full case study for Q7 (16 marks), which follows on the next pages. Read it before answering.

Hoods Ltd

Hoods Ltd designs, manufactures and sells hoodies and other sportswear to retailers in the UK and Europe. Hoods Ltd was set up in 2002 by an entrepreneur, Habib. The business is successful and has grown quickly. It has four factories in the UK.

The product portfolio for Hoods Ltd has grown in the last three years. It now includes tracksuits, t-shirts and swimwear, as well as the original hoodie design. The clothes are made from high-quality materials. Hoods Ltd sources these from suppliers that use ethically sourced raw materials.

Habib started Hoods Ltd with the aim of wanting the business to be different from regular sportswear businesses. Hoods Ltd competes against global brands. These brands spend heavily on promotion. Habib decided to only use suppliers that sign up to Fair Trade and other similar agreements. Habib created a mission statement that he feels has set Hoods Ltd apart from other brands.

Hoods Ltd mission statement: 'Hoods Ltd only uses ethically sourced raw materials. This ensures excellent quality for our clothes and shows our commitment to being part of a more sustainable world.'

Using Fair Trade suppliers means that Hoods Ltd pays premium prices for materials. In the last year, the cost of materials has increased drastically. Habib has reassured the shareholders that these cost increases can be passed on to customers. He believes the Hoods Ltd brand and the quality of the clothes are strong enough to justify any price increase.

The marketing manager, Clara, is concerned that Hoods Ltd relies too heavily on repeat customers and is not promoting the company sufficiently. Following a recent dip in sales, Clara wants to increase the spending on promotion to reach more customers. Hoods Ltd has a website and Instagram account but these are not regularly updated. Habib does not agree with Clara and sees the dip as a temporary issue. He feels that the brand is well established in the market and that the clothes will 'sell themselves'. Habib estimates that the price elasticity of demand for Hoods Ltd's products is –0.1

Hoods Ltd employs 70 production staff who work in one of the four factories across the UK. Each factory has a site manager. The site managers regularly complain that they are not trusted to make decisions for their sites. Last week one of them left the business to work for a competitor. Habib is the majority shareholder and manages the company. His role includes setting and analysing all of the operational budgets for the company. Recently, Habib has struggled to manage this workload and decision-making has been slow. He is considering delegating the control of the budgets to the site managers which means they will allocate and decide how the money is spent.

The company has always generated healthy profits and had positive cash flow. However, in the last two years, there have been some major cash flow issues. One of the large retail customers for Hoods Ltd closed down without paying for its recent orders. The finance manager, Parvin, believes that many of Hoods Ltd's retail customers value the 60 days they have to pay for their orders. Parvin, therefore, suggests that Hoods Ltd should take out an overdraft, despite knowing that interest rates are currently high and may increase. Some of the shareholders are worried that this financial situation may continue and have asked Habib to urgently look at the cash flow position.

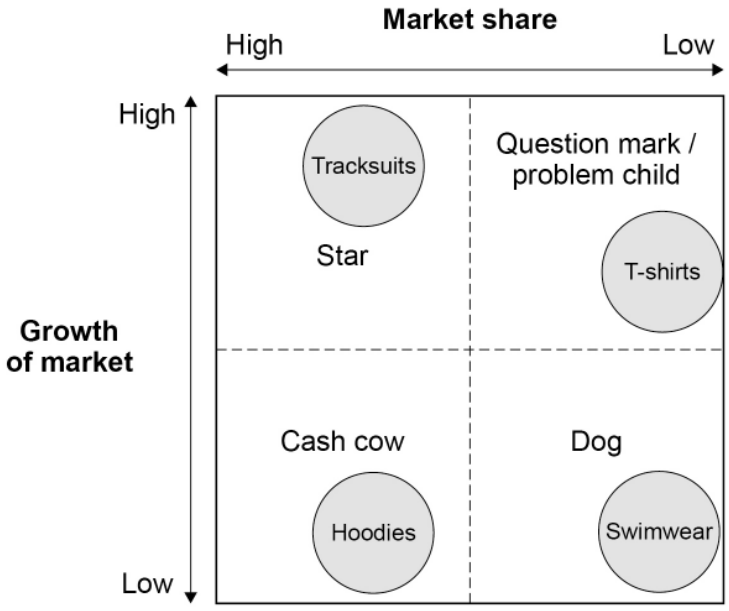
Figure 1: Financial data for 2022 to 2024

	2022 £m	2023 £m	2024 £m
Sales revenue	5.75	6.21	6.90
Cost of sales	4.30	4.60	5.07

Figure 2: Average time taken for customers to pay (days)

	2022	2023	2024
Hoods Ltd	60	60	60
Industry average	60	45	30

Figure 3: Hoods Ltd Boston matrix product portfolio 2025



END OF SOURCE

This question is based on the case study: Hoods Ltd
AS Paper 2, June 2025 insert. Printed in full on the pages just before this one (from page 211).

< CASE STUDY

Do not write outside the box

0 7 Habib believes that in order to increase sales revenue, Hoods Ltd needs to increase the price of its products rather than increase spending on promotion.

Do you agree with Habib?

Justify your view.

[16 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

0 2 Read the information below and then answer the questions that follow.

Bell Ltd

Bell Ltd is a UK-based food manufacturer with 27 branded products in three main markets:

- sweets
- snacks
- drinks.

The company has been very successful over many years, increasing its market share in each market. It has responded to market changes by investing in the development of new products such as low-sugar and vegetarian ranges. It monitors the sales and costs associated with each of its brands.

100% of shares in Bell Ltd are owned by four members of the Bell family who also have management roles in the business. The owners feel long-term strategic decision making at the company is more effective than if it was a public limited company.

Bell Ltd actively manages the trade credit offered to retailers who buy its products, such as chasing any overdue payments and minimising the period of credit it offers to them. By building long-term relationships with suppliers, it has secured favourable credit terms from them.

Speckles is produced by Bell Ltd and used to be a leading brand of sweets in the UK. In terms of the Boston Matrix, *Speckles* is now a 'dog'. It was recently announced that *Speckles* would be discontinued. A social media campaign against this decision claimed that *Speckles* was an iconic brand from people's childhoods and should be saved.

Table 1 Financial data for the *Speckles* brand

Year	**2019**	**2020**
Sales revenue (£'000)	40	20
Cost of sales (£'000)	25	16
Gross profit (£'000)	15	4

Do not write outside the box

0 2 . 4 Should businesses always stop the production of products classified as 'dogs' in the Boston Matrix?

Justify your view.

[16 marks]

Do not write outside the box

Extra space

13

Do not write outside the box

16

Turn over ►

Case study: Logger Boards Ltd (A Level Paper 3, June 2023 insert)
The full case study for Q4 (16 marks), which follows on the next pages. Read it before answering.

Bodhi Doyle started surfing when he was just 5 years old. Forty years later, he is the owner and manager of a successful company that specialises in manufacturing professional-quality surf boards using only recycled materials. Bodhi owns 100% of the shares of Logger Boards Ltd; a business which dominates its niche market.

Throughout the company's 25-year history, it has followed Bodhi's founding mission:

'Logger Boards Ltd exists to intensify the thrill of riding waves while helping nature recover in its battle with humanity.'

The business has grown from a one-man operation to fill a small workshop with five full-time highly skilled employees creating environmentally friendly, top-quality surfboards.

From the very beginning, Bodhi's products have been popular, while several mass-market UK-based surfboard manufacturers have struggled to survive. Logger Boards Ltd has had chances to buy these businesses cheaply in order to expand. Bodhi has declined these opportunities. He also recently turned down a chance to take over Logger Boards Ltd's specialist paint supplier.

Bodhi has worked tirelessly to seek out the very best recycled materials to ensure that his boards meet the demands of the world's best surfers. The workshop is now powered completely by renewable energy sources from an onsite wind turbine and a solar-panelled roof. Any waste-water generated is filtered onsite and reused wherever possible. However, with sales at a record high, Bodhi knows that the cramped conditions in the workshop, combined with a lack of storage space for materials, have reduced efficiency.

Demand for Logger Boards Ltd surfboards is expected to keep growing. Bodhi has conducted careful planning for a possible new production facility on the existing site that will allow the business to increase total capacity. This would enable the business to:

- keep all of its environmentally friendly systems
- create space for more output
- employ more workers if needed.

Bodhi's thorough research has generated forecast data, shown in **Appendix A**. The cost of building the new production facility is estimated to be £500 000. Logger Board's Ltd's bank has offered a long-term loan for this amount, at an annual interest rate of 5%. Further financial information for Logger Boards Ltd is provided in **Appendix B**.

Demand for Bodhi's surfboards has grown without the need for promotional expenditure. Bodhi's approach to promotion has been to rely solely on Logger Board's Ltd's social media account on Instagram. Bodhi posts pictures and videos on this account. He has become an 'accidental' influencer with 200 000 followers. The content focuses less on the business and more on Bodhi's surfing lifestyle and personal environmental beliefs. Details of Logger Boards Ltd's followers and customers are shown in **Appendix C**.

Bodhi remains undecided about his expansion plans – he has always aimed to minimise the level of risk involved in any business decision he has made. He is also concerned that a larger business may be harder to control, especially given his passion for ensuring that Logger Boards Ltd's mission remains central to the way the business

operates. Although his bank manager has suggested that communication and organisational structure will be vital to the success of the growth strategy, Bodhi feels that his leadership will be the most important aspect if the strategy is to succeed. 45

Appendix A Data for current workshop and forecast for new production facility

	Current workshop	**Forecast for first year in new production facility**
Productivity (units per worker per year)	500	600
Total cost per unit (£s)	350	350
Output (units per year)	2 500	3 000
Capacity (units per year)	2 500	7 500
Fixed costs	£125 000	£250 000
Percentage of waste that is recycled	98	95

Turn over for Appendix B

Appendix B Current financial data for Logger Boards Ltd (before new production facility)

Table 1 Balance sheet (statement of financial position) extracts

	£000s
Current assets	246
Current liabilities	120
Non-current liabilities	400
Total equity	1 000

Table 2 Income statement extracts

	£000s
Sales turnover	1 125
Cost of sales	750
Expenses	125
Finance cost (interest paid on loans)	20
Profit for the year	230

Appendix C Data on Logger Boards Ltd customers and social media followers

Figure 1 Age profile of Logger Boards Ltd customers and social media followers

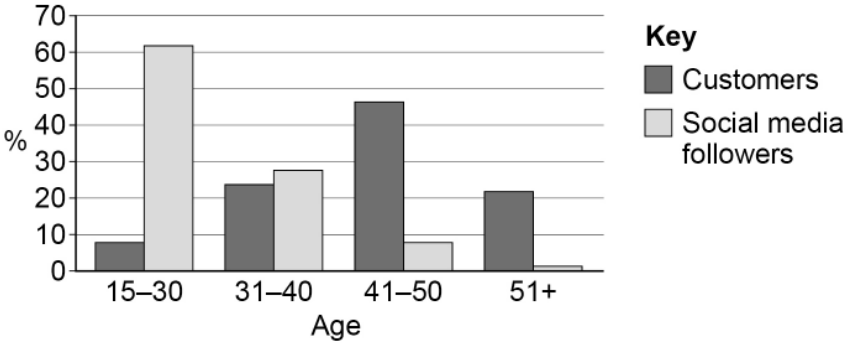
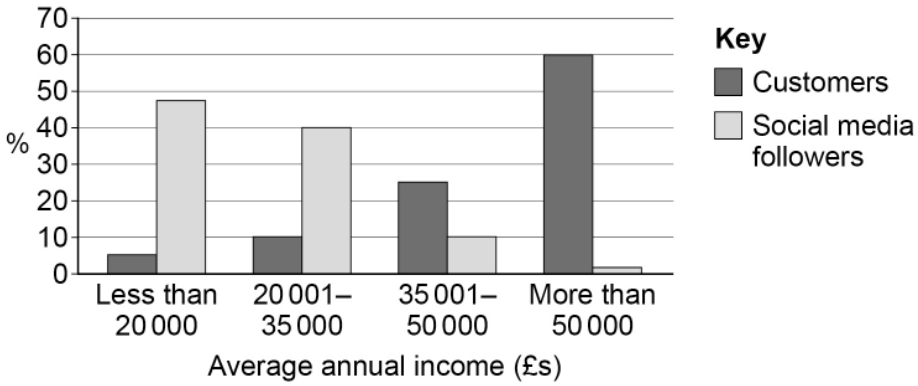


Figure 2 Average income of Logger Boards Ltd customers and social media followers



END OF SOURCES

This question is based on the case study: Logger Boards Ltd
A Level Paper 3, June 2023 insert. Printed in full on the pages just before this one (from page 219).

< CASE STUDY

Do not write outside the box

0 4 If the new production facility is built, Bodhi will aim to increase sales.

To what extent is Bodhi likely to be able to increase sales using his current approach to promotion?

Use **Appendix C** and other information to justify your answer.

[16 marks]

Do not write outside the box

Extra space

Do not write outside the box

16

Answer **all** questions in the spaces provided.

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Biggs Ltd

Biggs Ltd operates in the snack food market, selling crisps, nuts and other savoury products. Potatoes are a key ingredient in its snacks. The price of potatoes has risen by 35% over the last two years.

The company is one of six firms who dominate a market that has been growing strongly for ten years. The market growth is largely due to the development of new snacks designed for children. However, Biggs Ltd's market share has been falling since 2019.

Biggs Ltd plans to launch a completely new range of products in 2024. It will promote this by sponsoring a major televised sporting competition which has children and families as its audience.

Appendix A Extract from Biggs Ltd's recent financial statements

	2023 £000s	**2022 £000s**
Revenue	47 569	46 994
Gross profit	22 289	22 820
Operating profit	4 650	4 701
Payables	5 056	5 221

Appendix B Labour productivity for Biggs Ltd and the snack food industry average (shown as an index number, base year = 2017)

Year	**Biggs Ltd**	**Industry average**
2020	104.2	104.3
2023	100.3	105.9

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Appendix C Marketing expenditure as a percentage of revenue, 2020–2024*



* 2024 based on Biggs Ltd's forecast.

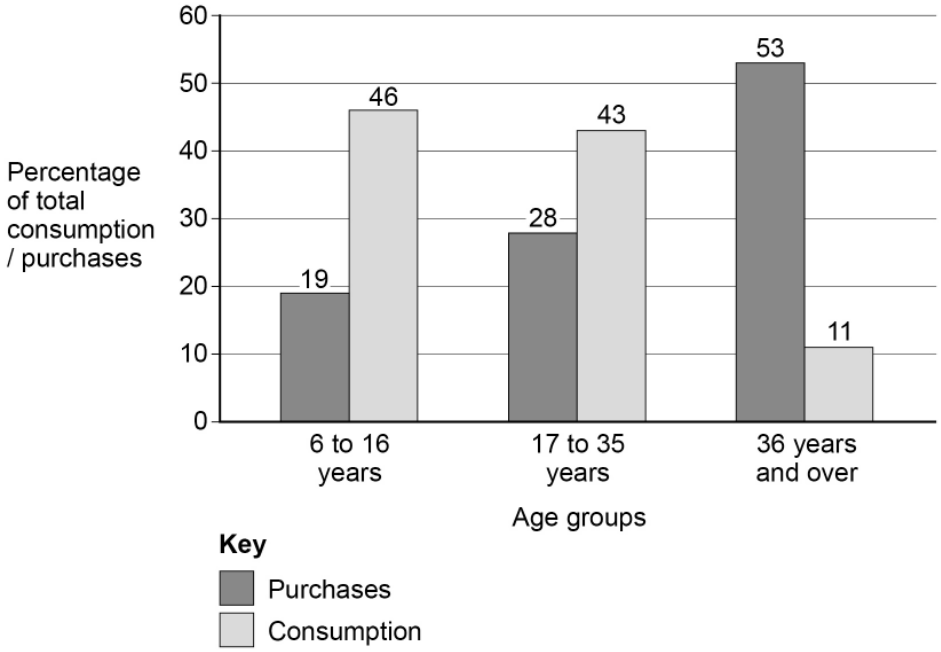
Appendix D Results of market research conducted with families on Biggs Ltd's new product range and the promotional campaign

Survey question	**Average survey score by age group**		
	6 to 16 years	17 to 35 years	36 years and over
I will definitely try the new products when they are available.	9.9	7.2	1.8
The promotional campaign improves my view of Biggs Ltd's brand.	8.3	6.3	8.0
I frequently consume snack foods at sports events.	8.9	6.9	2.7
Scale: 10 = strongly agree, 5 = neither agree nor disagree, 0 = strongly disagree			

Source: Data from 27 interviews with families, conducted by Biggs Ltd in 2021.

Do not write outside the box

Appendix E Percentage of snack products bought and consumed by different age groups



Results from a recent survey of 3000 respondents conducted by an independent market research firm.

Do not write outside the box

0 1 . 4 In 2024, Biggs Ltd became the sponsor of a major televised sporting competition that attracts a wide range of ages and is popular with families.

With reference to the information provided, evaluate whether Biggs Ltd's decision to promote its new product range in this way is a good idea.

[16 marks]

8

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16

Case study: Slow Fashion (AS Paper 2, June 2019 insert)
The full case study for Q8 (20 marks), which follows on the next pages. Read it before answering.

Slow Fashion

Many clothing companies succeed by using a 'fast fashion' business model: selling seasonal, cheap, low-quality items that are often manufactured in low-cost countries such as Bangladesh. This practice is used by retailers promoting the latest designs.

As a senior buyer for a high street clothing retailer, Claudia Bryant had responsibility for sourcing clothing and negotiating contracts with suppliers from many countries. She was successful in her work by securing low-cost deals.

> On 24 April 2013, over 1,130 people were killed when the Rana Plaza factory complex collapsed in Dhaka, Bangladesh. 2,500 more were injured. The people crushed under those eight floors were working for familiar fashion brands in unsafe conditions.

Rana Fashion

In 2013 Claudia was shocked by the Rana Plaza disaster. She believed that it was the fault of the 'fast fashion' business model – something she no longer wanted to be a part of.

She resigned from her job to set up her own online clothing retail business, centred on ethical objectives. The business (Rana Fashion) is a private limited company with Claudia owning 60% of the shares. The remaining shares are owned by a Bangladeshi charity, ensuring that at least 40% of the annual profits support charitable projects in Bangladesh.

The clothes are traditional designs that do not go out of fashion. All are made to last and fabrics are ethically sourced, eg fair-trade cotton. They are manufactured by suppliers in Bangladesh – many with personal links to the Rana Plaza disaster. Each supplier is a small independent family-run business.

Claudia is keen to trade ethically, in contrast with leading retailers, as shown below.

Rana Fashion's approach:	'Fast fashion' approach:
• pay promptly to help the suppliers' cash flow	• delay payments to help their own cash flow
• buy and store extra inventory – this allows better capacity utilisation for suppliers	• buy only enough to meet projected demand as old inventory goes 'out of fashion'
• have long term contracts with suppliers – allowing suppliers to plan for their future.	• new contracts each season – in search of lower priced deals.

Rana Fashion garments are sold at a high price. If customers spend over £100 they can pay over 10 months without any interest. Last year 25% of sales were made this way.

Rana Fashion sells directly to consumers worldwide through e-commerce, removing the need for high street retailers. The UK is its biggest market. However, Claudia is pleased that sales in the USA and Europe have recently shown steady growth.

No budget is allocated to promotion. Claudia relies on media coverage to promote her brand. She has been interviewed by many newspapers, radio stations and online news providers when journalists have been reporting on ethical fashion. This has proved successful as the readers and audiences have views that are closely aligned with the business objectives.

Rana Fashion invested heavily in its website and is very active on social media, with increasing numbers of loyal customers sharing links which are often seen by hundreds of thousands of like-minded people.

The business has large levels of inventory and efficient warehousing is vital. The warehouse manager is a key member of staff and Claudia has designed this job role to have delegated responsibility for the day-to-day running of the warehouse.

Rana Fashion outsources its increasingly wide and complex distribution function to international distribution companies such as UPS. These ongoing contracts have specific targets for customer service, based on delivery times such as 48 hours across the UK and Europe. UPS delivers to over 220 countries, including every address in North America and Europe.

Financially, Rana Fashion has been profitable with rising profit margins, but faces regular cash flow problems. A financial adviser believed that Rana Fashion's business model made the cash flow problems difficult to resolve and had two suggestions to help.

Suggestion A:	**Suggestion B:**
Delay payment to suppliers by paying invoices as late as possible.	Use debt factoring of customer credit.

Appendices continue on the next page

Figure 1: Overall UK and US clothing sales 2012–2017 (Index numbers, 2013 = 100)

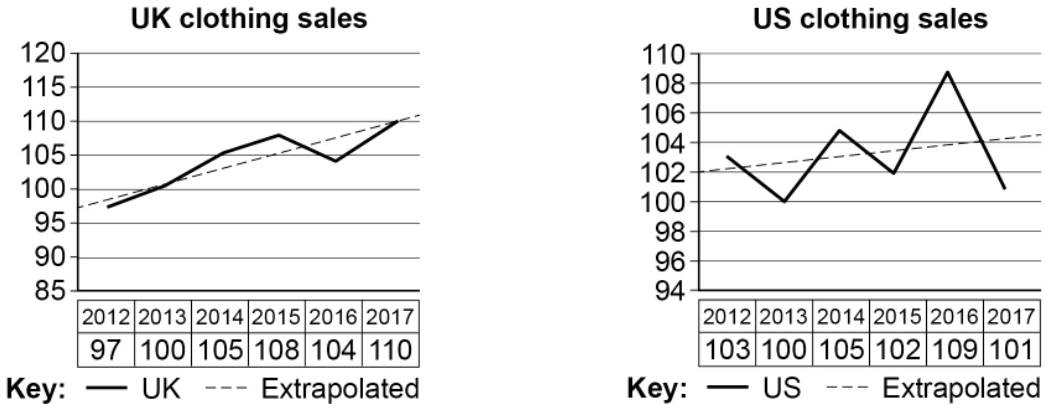


Figure 2: Estimated elasticity data

	'Fast fashion'	Ethical fashion
Income elasticity of demand	+0.6	+1.4
Price elasticity of demand	-1.3	-0.8

Figure 3: Predicted changes in income levels

	UK	USA	Europe
2019	+2.5%	+4.0%	+3.2%
2020	+2.0%	+3.5%	+3.0%

END OF SOURCE

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This question is based on the case study: Slow Fashion
AS Paper 2, June 2019 insert. Printed in full on the pages just before this one (from page 231).

< CASE STUDY

Do not write outside the box

0 8 ‘For any retailer to make a profit in the future it will need to be operating only online.’

Do you agree? Justify your view.

[20 marks]

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20

END OF QUESTIONS

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Case study: KMH plc (A Level Paper 3, June 2017 insert)
The full case study for Q6 (24 marks), which follows on the next pages. Read it before answering.

Source 1

KMH plc

KMH plc is a multinational company with its headquarters in the UK. It designs, builds and maintains marine engines for ships and yachts. Revenue comes from two major sources. Around half its revenue comes from manufacturing and selling marine engines. The rest comes from providing support services for the engines, from regular checking and simple maintenance to more complex service arrangements. These services include KMH plc technicians monitoring engine performance minute by minute wherever it is in the world and making remote adjustments to the way an engine is operating.

Two market segments account for most of its engine sales – cruise ships and luxury yachts. KMH plc's market share for cruise ship engines is over 30%. Many of its customers (major cruise ship operators) have begun placing bigger orders as mergers and takeovers reduce the number of companies in this segment of the holiday industry (see **Appendix A**). Larger companies operating cruise ships can negotiate better deals from engine manufacturers, but KMH plc can also gain economies of scale as it works on larger orders, negotiating better deals with its own suppliers.

KMH plc is also market leader in the luxury yacht market – providing the engines and servicing for the vessels much loved by mega-rich company executives, notably from Russia and Middle Eastern oil-producing countries.

With key target markets for its marine engines consisting of cruise ship operators and buyers of luxury yachts, KMH plc's marketing mix is very different to many other large multinational businesses. These customers place relatively few orders for marine engines each year, but each purchase involves millions of pounds and complex negotiations. This requires KMH plc to have a specialised and highly skilled sales team with a detailed understanding of the technical benefits of its products and services.

Secrets of KMH plc's success

KMH plc puts a strong focus on Research and Development, allowing it to be a technological leader in its field, holding thousands of patents for innovative technologies developed in its research centres. KMH plc has invested heavily in training its staff and considers the excellence of its staff to be a fundamental source of competitive advantage. An apprenticeship academy was opened in Hull in 2012. Meanwhile, the company spent a total of £48.5m on training staff in 2016 to keep their skills up to date. Generous salaries alongside the excellent training make KMH plc one of Britain's favourite employers, shown by its low labour turnover. KMH plc aims to reap the rewards of its investment in people through ensuring that its maintenance services are world-class, whilst staff involved in Research and Development have the skills to develop market-leading new engines.

Much of KMH plc's success is down to the excellent fuel efficiency of its engines – a crucial selling point when oil prices are high. Its newest engine, the result of many years' Research and Development, is claimed to be 25% more efficient than those of its major rivals. In addition, KMH plc's maintenance and support contracts offer its customers peace of mind, aimed at preventing problems from occurring.

Turbulence for KMH plc

Despite its strengths, KMH plc was still vulnerable to changes in market conditions. 2015 and 2016 had been worrying times for KMH plc shareholders. In February 2015 the company was forced to issue a profit warning – advising the stock market that previous predictions of future profits might be inaccurate. Further warnings followed, each time downgrading expectations of future profits. **Appendix B** shows KMH plc's share price in 2015 and 2016. Financial data for the business can be found in **Appendix C**.

Journalists blamed KMH plc's poor financial performance in 2015 and 2016 on two major issues:

- worsening global economic conditions slowing revenue growth
- excessive costs.

Global economic growth rates have remained low and the incomes of consumers in many rich countries barely increased in real terms and are not forecast to rise for the next few years. This has had an impact on demand for cruise holidays. In addition, global oil prices have fallen. There are no clear signs that oil prices will rise again in the next couple of years.

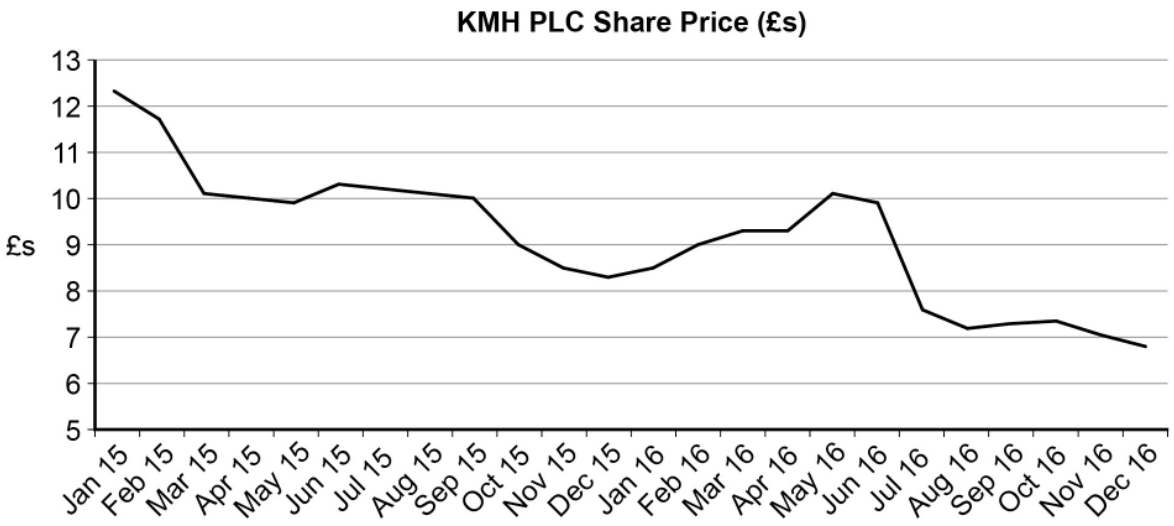
A new captain - a new strategy

In May 2016, KMH plc appointed Sir Rodney Short as its new Chief Executive. Sir Rodney was previously Chief Executive of ZQQZ plc – a British microchip manufacturer that he had turned into a world leader. Within weeks, Sir Rodney announced a major new strategy aimed at solving KMH plc's problems. One feature of the new strategy was an organisational restructuring. This was designed to reduce the size of the workforce. Most of the planned 140 job losses would be amongst senior managers (one in three senior managers would lose their jobs). Sir Rodney claimed that costs would be reduced by around £12m per year as a result after the costs of the restructuring. In addition, major investment (£50m) in new production machinery and a new factory is planned, aimed at reducing manufacturing costs and increasing total capacity. With such major changes planned, KMH plc's share price recovered slightly as the stock market gave Sir Rodney's strategy its approval, but there are plenty of details that need to be finalised, not least, how the changes are to be funded.

Appendix A

Top 5 Cruise Ship Holiday Providers - Market share (2016)	
CCL	48.1%
RCL	23.1%
NCL	10.4%
MSC Cruises	5.2%
Disney	2.8%
Others	10.4%

Appendix B



Appendix C

Table 1 Extracts from KMH plc balance sheets

	2015 (£m)	2016 (£m)
Non-current assets	5518.0	5104.0
Current assets	5594.0	6058.0
Current liabilities	(3842.5)	(4086.5)
Non-current liabilities	(4076.0)	(4567.5)
Net assets	3193.5	2508.0
Total equity	3193.5	2508.0

Table 2 Extracts from KMH plc income statements

	2014 (£m)	2015 (£m)	2016 (£m)
Revenue	7756.5	7441.7	6862.5
Gross profit	1658.4	1562.6	1399.8
Operating expenses	903.5	906.5	910.4
Operating profit	754.9	656.1	489.4

END OF SOURCE

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This question is based on the case study: KMH plc

A Level Paper 3, June 2017 insert. Printed in full on the pages just before this one (from page 237).

< CASE STUDY

Do not write outside the box

0 6 The nature of KMH plc's target market is probably the biggest influence on its marketing mix. To what extent is the nature of the target market the most important influence on the marketing mix of **all** businesses?

[24 marks]

Do not write outside the box

Extra space

Do not write outside the box

24

END OF QUESTIONS

Do not write outside the box

Section C

Answer **either** Question 21 **or** Question 22.

Shade the lozenge below to indicate which optional question you have answered.

Question 21 ⬭ Question 22 ⬭

CORRECT METHOD ⬬ WRONG METHODS ✗ ● ✓ ✓

21 Online sales have grown significantly in recent years.

To what extent has this led to distribution (place) decisions becoming a more important element of an effective marketing mix?

[25 marks]

OR

22 A competitive advantage can be achieved through low-cost or through differentiation.

Which of these types of competitive advantage is it easier for a UK business to maintain? Justify your view.

[25 marks]

Do not write outside the box

Section C

Answer **either** Question 22 **or** Question 23.

Shade the lozenge below to indicate which optional question you have answered.

Question 22 ⬭ Question 23 ⬭

CORRECT METHOD ⬬ WRONG METHODS ✗ ⬭ ✓ ✓

Either

22 To what extent might the use of the Boston Matrix enable a multi-product business to achieve overall sales growth?

[25 marks]

or

23 Will the increased use of e-commerce lead to all retailers operating only online?

Justify your view.

[25 marks]

Question 01 · Section A objective test question

Correct answer: C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 09 · Section A objective test question

Correct answer: D

× 100

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 10 · Section A objective test question

Correct answer: C

50%

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

0 1 . 1 The data in **Appendix E** shows that the fall in advertising spending by Kellogg's from 2013 to 2017 has caused lower sales.

Explain why this statement might **not** be correct.

[2 marks]

Marks for this question: AO1 = 1 and AO2 = 1

Level	The student will typically demonstrate:	Marks
2	**A good response overall that focuses on many of the demands of the question.** • Explains that other factors may have caused the fall in sales such as actions by competitors or that the fall in advertising spending may be due to the fall in sales.	2
1	**A reasonable response overall that focuses on some of the demands of the question.** • Identifies that advertising is only one factor that affects sales and identifies another.	1

0 1 . 2 **Appendix B** shows the actual and forecasted data for the value and the volume of sales of RTE breakfast cereals between 2018 and 2023.

Explain how it is possible for the value of sales to increase when the volume of sales is falling.

[2 marks]

Marks for this question: AO1 = 1 and AO2 = 1

Level	The student will typically demonstrate:	Marks
2	**A good response overall that focuses on many of the demands of the question.** • Explains that the difference is due to the price increasing; less is sold but revenue is higher due to higher prices.	2
1	**A reasonable response overall that focuses on some of the demands of the question.** • Some understanding that the difference is due to price changes but no clear explanation.	1

0	1	*Using **Figure 1**, calculate the percentage change of UK clothing sales from 2015 to 2016?* **[3 marks]**

Marks for this question: AO1 = 1, AO2 = 2

3 marks for correct answer - 3.7% or 3.7% decrease
2 marks for correct number, but with no minus sign
2 marks correctly selects and uses figures but an arithmetical error
1 mark for calculating the fall (- 4)
Max 2 marks if calculate correct figure but for USA (+ 6.4%)
1 mark if correct formula, but no other valid calculations

Correct answer:

104 – 108 = fall of - 4
(-4 / 108) x 100
= - 3.703%
= - 3.7%

0	2	The budgeted profit for Rana Fashion in 2018 was £2 946 000. Using the data below, calculate the profit variance for Rana Fashion in 2018. State whether it is adverse or favourable. **[4 marks]**

Marks for this question: AO1 = 2, AO2 = 2

4 marks for correct answer of £322 000 Adverse:
T Costs £2 976 000 **(1 mark);** Profit £2 624 000 **(1 mark);** Variance £322 000 **(1 mark)**
'Adverse' (with supported calculations) **(1 mark)**

3 marks for correct answer £322 000, but no statement or incorrect statement
1 mark if budgeted profit correctly defined but no valid calculations

	Actual		
Sales Revenue	£5 600 000		
Costs:			
Inventory	£2 300 000		
Warehousing	£200 000		
Distribution	£126 000		
I.T.	£170 000		
Other	£180 000		
Total Costs	£2 976 000		
Profit	£2 624 000	**£322 000**	**Adverse**

Note: OFR applies throughout e.g. follow the workings and award each stage

0 1

Figure 1: Global balloon market values

2020	2021	2022
$227 million	$260 million	$287 million

The UK balloon market accounted for 25% of the global market in 2020 and 30% of the global market in 2022.

Using **Figure 1**, calculate the percentage increase in the size of the UK balloon market between 2020 and 2022.

Give your answer to **two** decimal places.

[3 marks]

Marks for this question: AO1 = 1, AO2 = 2

3 marks for correct answer 51.72%.
3 marks for rounded answer of 51.80% if student has used rounded figure of $29.4 for the difference calculation.
2 marks for 52%
2 marks if calculates both correct % amount for each year; 2020 = $56.75, 2022 = $86.10.
1 mark if calculates global market % difference as 26.43% (% not needed but must be to 2 decimal places)

OFR applies

0	**1**	Using the data in **Figure 1**, calculate the percentage change in sales revenue from 2022 to 2024. **[3 marks]**

Marks for this question: AO1 = 1, AO2 = 2

3 marks for correct answer 20% or 20
2 marks if correctly selects and uses figures but makes an arithmetical error (OFR)
1 mark if correctly calculates difference between years as £1.15 million
1 mark if incorrect year used and correctly calculates percentage change

Correct answer: % change = 20%

£6 900 000 – £5 750 000 = £1 150 000

$$\frac{\text{£1 150 000}}{\text{£5 750 000}} \times 100 = 20\%$$

0	1	.	1	Calculate the market share of the discount retailers in the UK food retail market in 2015. **[3 marks]**

Marks for this question: AO1 = 1 and AO2 = 2

Answer = (3 marks)

Broken down as follows:

Market share = (sales of discount retailers/total market sales)*100
(1 mark for awareness of equation only)

Market share= 17/157 = 10.8% (up to 2 marks for some attempt to calculate plus 1 mark for correct answer

0	1	.	2	With reference to **Figure 1**, explain the meaning of 95% confidence interval in the forecast for UK food retail market in 2020. **[3 marks]**

Marks for this question: AO1 = 1 and AO2 = 2

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	3
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context	1

Possible answers may include

95% confidence interval shows that the forecasters are 95% confident that sales will be within the range of £185 (000m) to £142 (000m) m i.e. this forecast will be right 19 times out of 20

Awareness of confidence intervals 1 mark
Accurate explanation of 95% 1 mark
Explanation of meaning of £185 (000m) and £142 (000m) 1 mark

0 1 . 3	Use **Appendix A** to calculate the combined market share of the largest four manufacturers of RTE cereals. **[3 marks]**

Marks for this question: AO1 = 1, AO2 = 2

Possible responses:
Sales of largest four manufacturers = £839m; Combined market share = (839/1288) * 100 = 65.14%
Accept 65% or 65.1%

If each firm calculated separately and added together credit if correct.

Correct answer 3 marks

- Calculates sales of largest four manufacturers = £839m — 1 mark
- States market share equation or identifies numbers to use are combined sales/total market sales *100 i.e. 839/1288 *100 — 1 mark
- No percentage sign.

2 marks maximum

0 1 . 1	What is meant by the term extrapolation? **[2 marks]**

Marks for this question: AO1 = 2

Extrapolation is the action of estimating or concluding something by assuming that existing trends will continue.
Or the extension of a graph, curve, or range of values by inferring unknown values from trends in the known data.

2 marks for good understanding
1 mark some/partial understanding of the term

0 1 . 2	Using **Appendix B**, calculate the combined market share of the top four tea brands in 2019. **[3 marks]**

Marks for this question: AO1 = 1, AO2 = 2

Total market = £562m (108 + 99 + 98 + 90 + 23 + 144)
Top four brands = £395m (108 + 99 + 98 + 90)

Market share of 'top four' = $\frac{395m}{562m} \times 100 = 70.28\%$

3 marks for correct answer **70.28%** or **70.3%**
2 marks for partial calculation eg with one error or % sign missing
1 mark for calculation of both elements e.g. total market = £562m and Top four brands = £395m
1 mark for correct definition of market share with no valid calculation or correct formula

1 3 The table below shows data for the market for a product in 2020.

Business	Sales (2020)	Sales growth (2021)
X	£40 million	10%
Y	£100 million	50%
Z	£186 million	0%
All other businesses	£170 million	0%
Total market size	£496 million	?

Calculate the market share of Business X in 2021.

[4 marks]

Marks for this question: AO1 = 2 and AO2 = 2

The demands of the question are:

- calculate the market share for the given example.

Indicative content:

Answer = 8% **(4 marks)**

Broken down as follows:

£ 40 million × 110% = £ 44 million **(1 mark)**

£100 million × 150% = £150 million **(1 mark)**

Market size in 2021
= £44 million + £150 million + £186 million + £170 million = £550 million **(3 marks)**

Market share = $\frac{\text{£44 million}}{\text{£550 million}}$ = 8% **(4 marks)**

Own figure rule can be applied.

Alternative methods can be credited.

NB// if no valid calculation(s): award a maximum of 1 mark for K/U of market share

1	7	In 2007, a business had sales of £10 million in a market with a size of £125 million. In 2017 the business's sales were £12.6 million and its market share was 6%. Calculate the percentage growth in the size of the market between 2007 and 2017. **[4 marks]**

Marks for this question: AO1 = 1 and AO2 = 3

Answer = 68% (4 marks)

Market size in 2017 = £12.6m / 0.06 = £210m or £210 million **(2 marks)**
(1 mark) **(1 mark)**

Market growth = **EITHER**
(210 - 125) / 125 x 100 = 85/125 x 100 = **68%**
(1 mark) **(1 mark)**

OR 210/125 = 1.68. Therefore growth = 1.68 - 1.00 = 68%
(1 mark) **(1 mark)**

IF no valid calculation, one mark for formula:

$$Market\ growth\ (\%) = \frac{size\ of\ market\ in\ 2017 - size\ of\ market\ in\ 2007}{size\ of\ market\ in\ 2007} \times 100$$

Credit other relevant approaches.
Markers note: no credit for calculating original market share

0	2	Sanjay has a marketing objective of achieving a 15% market share within 3 years. Analyse the factors that influenced Sanjay's decision to set his marketing objective at a 15% market share. **[12 marks]**

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question**. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question.	**5–8**
1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context.	**1–4**

The demands of this question are:
- understands the meaning of marketing objective and market share
- analyses factors influencing the decision to set the marketing objective of a 15% share of the market
- in the context of Sanjay/Speed-e-Puds Ltd.

Indicative content:
Reasons for setting 15% as the target figure:
- with a few major national rivals, 15% implies a healthy position relative to a few large rivals ensuring Speed-e-Puds are seen as a major national presence
- the market has grown at an average of 20% over the last 5 years. Attaining market share may be easier in a growing market
- Sanjay is clearly ambitious, indeed the case study mentions his impatience, suggesting an ambitious target may be influenced by his own attitudes
- 15% implies the kind of national coverage that Sanjay sees as important – a branch in every city
- Sanjay has already experienced very rapid success
- Introducing a new product (slushies) may provide a boost in sales

Reasons for setting market share as an objective:
- it matters because it highlights the need to 'beat' rival dessert chains

- market share may be an important consideration within an immature market that is experiencing rapid growth
- it recognises the desire for national growth.

Some may focus on the time frame (which can be credited):
- within 3 years is short – this may reflect Sanjay's desire to 'cash in' while dessert parlours remain popular – social trends may change
- 3 years emphasises Sanjay's impatience and desire to grow his business quickly
- 3 years may be appropriate given likely speed of change in an emerging market such as dessert parlours.

Accept other relevant arguments.

Markers' Note:
One factor well developed will be enough to access all levels of the mark scheme

0 8	'For **all** businesses, external factors are more important than internal factors when setting marketing objectives.' To what extent do you agree with this statement? **[20 marks]**

Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8

Level	The candidate will typically demonstrate	Marks
5	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgments or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**17–20**
4	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**13–16**
3	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**9–12**
2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**5–8**

1	**A weak response overall lacking focus on the demands of the question.** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–4**

The demands of the question focus on:

- analysing the importance of internal factors and their influence on marketing objectives of a business
- analysing the importance of external factors and their influence on marketing objectives of a business
- providing a judgement that focuses on one option being more important than the other, in terms of setting influencing marketing objectives
- answer focuses on businesses/industry generally not just BB.

Indicative content may include:

- changes in fashion/taste – how quickly do these change in the market that the business is in? Does this depend on the target market?
- is it a niche or mass market and how quickly do these markets change? Fashion for example changes at a very fast rate especially fast fashion
- how competitive is the market and how effective is marketing to the product? For example, is the product/service being sold reliant on marketing or is it something that consumers make choices on depending on price, place etc
- economic issues for example; unemployment, interest rates, tax – how do these issues effect the business?
- internal factors that may be considered; objectives of the business as a whole, for example corporate objectives
- objectives of the different departments for example; finance. HR and operations and their influence on marketing objectives
- internal financial pressures/constraints – is there enough money to make marketing decisions, create strategies, increase the marketing budget as examples?
- ultimately depends on what the marketing strategy of the business is when setting the objectives; for example, a business wanting to increase market share in an existing market may believe that internal pressures are the biggest impact but for a business wanting to re-position itself in a market, external factors are the biggest impact on their marketing objectives
- it could be argued that almost all marketing objectives will require finance and therefore the biggest impact is likely to be internal factors such as how much finance can be raised and be available for the marketing objectives.

Other valid ideas may be credited.

Question 04 · Section A objective test question

Correct answer: A

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 03 · Section A objective test question

Correct answer: C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 04 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 09 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 02 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 04 · Section A objective test question

Correct answer: B

prices rise by 10% and the price elasticity of demand is ·1

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 03 · Section A objective test question

Correct answer: B

set a high price and use price skimming.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 10 · Section A objective test question

Correct answer: A

The probability that sales in 2026 will be between £170 000 and

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 04 · Section A objective test question

Correct answer: D

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 14 · Section A objective test question

Correct answer: C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 15 · Section A objective test question

Correct answer: A

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 09 · Section A objective test question

Correct answer: A

Statement 1 is true. Statement 2 is true.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 15 · Section A objective test question

Correct answer: B

Statement 1 is true. Statement 2 is false.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 08 · Section A objective test question

Correct answer: A

the market size, measured by volume, remains unchanged

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 07 · Section A objective test question

Correct answer: A

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

0 1 . 1 The data in **Appendix E** shows that the fall in advertising spending by Kellogg's from 2013 to 2017 has caused lower sales.

Explain why this statement might **not** be correct.

[2 marks]

Marks for this question: AO1 = 1 and AO2 = 1

Level	The student will typically demonstrate:	Marks
2	**A good response overall that focuses on many of the demands of the question.** • Explains that other factors may have caused the fall in sales such as actions by competitors or that the fall in advertising spending may be due to the fall in sales.	2
1	**A reasonable response overall that focuses on some of the demands of the question.** • Identifies that advertising is only one factor that affects sales and identifies another.	1

0 1 . 2 **Appendix B** shows the actual and forecasted data for the value and the volume of sales of RTE breakfast cereals between 2018 and 2023.

Explain how it is possible for the value of sales to increase when the volume of sales is falling.

[2 marks]

Marks for this question: AO1 = 1 and AO2 = 1

Level	The student will typically demonstrate:	Marks
2	**A good response overall that focuses on many of the demands of the question.** • Explains that the difference is due to the price increasing; less is sold but revenue is higher due to higher prices.	2
1	**A reasonable response overall that focuses on some of the demands of the question.** • Some understanding that the difference is due to price changes but no clear explanation.	1

0 1 . 1	What is meant by the term extrapolation? **[2 marks]**

Marks for this question: AO1 = 2

Extrapolation is the action of estimating or concluding something by assuming that existing trends will continue.
Or the extension of a graph, curve, or range of values by inferring unknown values from trends in the known data.

2 marks for good understanding
1 mark some/partial understanding of the term

0 1 . 2	Using **Appendix B**, calculate the combined market share of the top four tea brands in 2019. **[3 marks]**

Marks for this question: AO1 = 1, AO2 = 2

Total market = £562m (108 + 99 + 98 + 90 + 23 + 144)
Top four brands = £395m (108 + 99 + 98 + 90)

Market share of 'top four' = $\frac{395m}{562m} \times 100 = 70.28\%$

3 marks for correct answer **70.28%** or **70.3%**
2 marks for partial calculation eg with one error or % sign missing
1 mark for calculation of both elements e.g. total market = £562m and Top four brands = £395m
1 mark for correct definition of market share with no valid calculation or correct formula

1	1	*A manager of a business wants to increase its revenue. She estimates the price elasticity of demand for its products is –0.2. Explain whether the manager should decrease or increase prices.* **[3 marks]**

AO1 = 1 and AO2 = 2

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	3
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2
1	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of this question are:

- to explain whether managers should increase or decrease price
- given that they want to increase revenue
- and the price elasticity of demand is –0.2.

Indicative content:

- demand is price inelastic (less than 1)
- a given percentage change in price leads to a smaller percentage change in quantity demanded
- an increase in price increases revenue.

Approaches likely to be:

Level 3: shows clear understanding of why a price increase would increase revenue
Level 2: some understanding of demand being price inelastic and the effect on sales of price changes but link to revenue not clear
Level 1: identifies demand is price inelastic.

0	1	.	1	Calculate the market share of the discount retailers in the UK food retail market in 2015. **[3 marks]**

Marks for this question: AO1 = 1 and AO2 = 2

Answer = (3 marks)

Broken down as follows:

Market share = (sales of discount retailers/total market sales)*100
(1 mark for awareness of equation only)

Market share= 17/157 = 10.8% (up to 2 marks for some attempt to calculate plus 1 mark for correct answer

0	1	.	2	With reference to **Figure 1**, explain the meaning of 95% confidence interval in the forecast for UK food retail market in 2020. **[3 marks]**

Marks for this question: AO1 = 1 and AO2 = 2

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	3
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context	1

Possible answers may include

95% confidence interval shows that the forecasters are 95% confident that sales will be within the range of £185 (000m) to £142 (000m) m i.e. this forecast will be right 19 times out of 20

Awareness of confidence intervals 1 mark
Accurate explanation of 95% 1 mark
Explanation of meaning of £185 (000m) and £142 (000m) 1 mark

0	**2**	The income elasticity of demand for Parkside Theatre cinema tickets is +1.5. Explain why this information is important for Parkside Theatre. **[4 marks]**

Marks for this question: AO1 = 2, AO2 = 2

Level	The candidate will typically	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	3–4
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question are
Understanding of income elasticity of demand to interpret the meaning of the value stated and explain its importance in the context of the case.

Indicative content may include:
- income elasticity is the responsiveness of demand to a change in income levels, defining this or stating formulae would show understanding
- the value of +1.5 means that cinemas will see demand rise at a faster rate than income changes using the figure correctly is some context
- in the case it is stated that incomes have risen faster than average locally and are expected to continue this trend - explaining that this would have a very positive influence on demand. Incomes locally rose by 2.3% so demand expected to rise by 1.5 times as much. This indicates product is a luxury good. Focusing on importance of some of this context is likely to be seen

0	3	The price elasticity of demand for BB's products is –0.5. Explain **one** benefit to BB of operating in the market with this price elasticity of demand value. **[4 marks]**

Marks for this question: AO1 = 2, AO2 = 2

Level	The candidate will typically	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	4
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2–3
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question focus on:

- an explanation of one benefit to BB of operating in the market with an inelastic price elasticity of demand value.

Indicative content may include:

The market BB operate in is growing quickly with more competitors for it to compete with. A benefit of having price inelastic demand is:

- BB has price inelastic demand so consumers aren't as responsive to price changes if they are brand loyal
- this means BB has a competitive edge because it can increase price and not lose as many customers/quantity demanded doesn't fall as much
- the possible effect on its pricing – BB could increase its prices and make profit
- linking in BB's higher costs, eg wage per hour and high-quality materials, meaning it can absorb these costs, maintaining its profit margin by increasing the price
- less need for BB to find more USPs to stay competitive.

1	4	A business sells one type of product. The demand for this product has an income elasticity of +4. Explain the impact on the revenue of this business if the incomes of consumers increase. **[4 marks]**

Marks for this question: AO1 = 2 and AO2 = 2

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	4
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2–3
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question are:

- explain the impact of increasing consumer incomes on sales revenue of a product when income elasticity is +4.

Indicative content:

- income elasticity being +4 means that an increase in incomes will lead to an increase in demand for the product (of four times the increase in income). This will mean there is a significant increase in demand for the product and, therefore, the revenue of the business
- the product is a luxury, and people will desire it more with increased incomes. This means the business will experience a significant rise in sales revenues in line with this.

Students do not need to calculate any possible changes for them to gain the full 4 marks.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

0 3 . 1	Explain why APO's survey findings may not represent the views of UK consumers. **[4 marks]**

Marks for this question: AO1 = 2, AO2 = 2

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • Explains one limitation to APO using sampling.	4
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • Explains one limitation of sampling possibly with some context.	3–2
1	**A limited response overall that focuses on a few demands of the question.** Provides an answer to the question set that: • Some understanding of the limitations of sampling.	1

The demands of the question are:
- explain the link between the process used in researching and how it might not represent views of the population studied (UK population)
- specifically in the context of APO's survey.

Indicative content:
- sampling involves choosing a proportion of a population from which to elicit information from which to draw conclusions about the whole population. APO has only surveyed 100 of its 400 members
- the size of the sample will limit the accuracy and relevance of the results, this survey was a small sample of 100. The UK population is much larger so the data is unlikely to represent the overall views of UK consumers
- the sample could be biased, in this case it was 100 members of a small campaign group (only 400 members) – will these be representative of the views of wider UK consumers?

1 3 Explain the value to a start-up business of using primary marketing research.

[5 marks]

Marks for this question: AO1 = 1, AO2 = 2 and AO3 = 2

Level	the student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	5
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	3–4
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	1–2

The focus (demands) of the question:

- The benefit(s) to a start-up business of using primary market research (to develop a logical explanation as to why primary market research may be of particular value to a start-up). Focus on start-up (rather than an existing/established business) and primary market research (as opposed to secondary or market research in general)

further guidance:

- L1: likely to be just descriptive / showing some general understanding of the value of market research to a business
- L2: likely to be focused on **either** a start-up (max 4 marks) or primary market research (max 3 marks)
- L3: explanation focused on **start-up + primary** market research

Indicative content may include:

- Many start-ups may have limited financial resources and therefore undertake some primary market research such as a quick survey themselves as this could reduce costs and provide more accurate results than secondary for them to base decisions on.
- A start up is likely to want information specific to its particular situation or may be targeting a gap in the market about which information is not currently available.

1 4 Analyse **one** way in which having seasonal patterns of demand may affect the operational decisions of a business.

[6 marks]

Marks for this question: AO1 = 2, AO2 = 2 and AO3 = 2

level	the student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**5–6**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**3–4**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly	**1–2**

0	**4**	Analyse the impact on VeganLife Ltd of basing its decision to enter the men's toiletries market on primary market research. **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3

Level	The candidate will typically demonstrate	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question focus on:

- analyse the impacts to VL of using primary market research when making the decision to enter the men's toiletry market
- to make a decision in this context

Indicative content may include:

- Primary research is information that is collected first hand.
- It usually takes time to collate and analyse first-hand information and therefore there is a time/cost implication if VL use this method in the future.
- Does Emma have the skill set to carry this research out effectively?
- The information she has collected is from 2017 and 2018 – is this no longer relevant?
- The sample size is only 20 customers – is this too small to base decisions on?
- The figure of £50,000 for a new advertising campaign is based on Emma's own research – can this be trusted? Is it biased?
- Does VL need to pay a market research company/someone else to do the research? − VL's cash position is currently worrying and VL may not have the cash to finance further primary research.

- Using data that has been collected for a specific purpose is usually more useful and can help inform the businesses specific needs.
- VL have direct access to its customers so can use these for market research.
- VL operate in a niche market so are there lots of people VL can use for market research? If more people become vegan – more data becomes available.
- Candidates may discuss types of primary market research for example; questionnaires, interviews, focus groups, online surveys.
- Secondary research may not be specific enough for VL so VL may require primary research.
- (No requirement for comparison to secondary research.)

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

2	0

A café sells two types of hot drinks. These drinks have the following income elasticities of demand:

	Income elasticity of demand
Coffee	+2.0
Tea	-0.5

The volume of coffee sales is several times greater than the volume of tea sales. Based on the information above, analyse how the café's overall sales volume of hot drinks would be affected by a rise in consumers' incomes. Assume there are no other changes.

[9 marks]

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context	**4–6**
1	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context	**1–3**

The focus of the question is on:
How a rise in income would affect the overall sales of hot drinks at the café, given the different income elasticities for coffee and tea.

Focus is understanding impact of income elasticity of demand on sales; context is effectively using the data provided.

Indicative content may include:

- if consumers' incomes rise the demand for goods with a positive income elasticity of demand will rise and the demand for goods with negative income elasticity of demand will fall
- coffee has a positive income elasticity of demand and so sales volume will increase when consumers' incomes rise. It is income elastic so the change in quantity demanded in percentages is twice the increase in income
- tea has a negative income elasticity of demand and so sales volume will decrease if consumers' incomes rise
- overall sales of coffee will be affected to a much greater extent than sales of tea because both the income elasticity of demand AND the sales volume are much higher

0 3 . 3 The price elasticity of demand for Zani PLC's products has a value of –0.4.

Analyse reasons why the price elasticity of demand for Zani PLC's products might have this value.

[9 marks]

Marks for this question: AO1 = 2, AO2 = 3 and AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:
- to analyse reasons why the price elasticity of demand for Zani's products might have this value.

Indicative content:
- the price elasticity of demand measures how sensitive demand is to price changes –0.4 means that demand is price inelastic ie a % change in price leads to a smaller change in quantity demanded
- the negative answer shows that an increase in price reduces the quantity demanded.

Zani's products may have this value because:
- as price increases customers switch to alternative products (hence negative answer)
- they are targeting high income customers and therefore price changes may have not be as significant in terms of their overall income compare to low income individuals
- the brand is well known and premium; people may be less sensitive to price because they want to be associated with this brand.

Further guidance
This question does not focus on the implications of demand being price inelastic; it focuses on why it is price inelastic.

Accept other relevant arguments.

1	8	A business decides to increase the price of a product in order to improve its profit. Analyse how the success of this decision is affected by the product's price elasticity of demand. **[9 marks]**

Marks for this question: AO1 = 2, AO2 = 3 and AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of this question are:

- to understand the meaning of price elasticity of demand
- to analyse how the impact of an increase in price on sales (volume or value) will be affected by whether a product has inelastic or elastic demand
- to use this analysis to draw a conclusion on the possible effect on profit.

Indicative content:

- recognising that a higher price should lead to a decrease in the quantity demanded
- analysing the impact of the price rise on sales revenue:
  - if the product has price elastic demand a given % increase in price leads to a larger % decrease in the quantity sold and so sales revenue will fall
  - if the product has price inelastic demand a given % increase in price leads to a smaller % decrease in the quantity sold and so sales revenue will rise
- because fewer products are sold total costs should be lower

- therefore, profitability will increase if demand is price inelastic because sales revenue will rise but total costs will fall.
    - the effect on profit will depend on the level of unit costs if demand is price elastic. The profit margin will rise but sales volume will fall significantly, so the impact on profit is not known without further information on costs.

(This final argument should be credited at L3 if it is included by a student, but it is not necessary for Top L3 which should be given for the indicative content shown above this final bullet point)

0 1 . 4	A business sells two types of tea: black tea and health tea. Analyse how the data in **Appendix C** will affect how this business might change the price it charges for each type of tea to increase its sales revenue. **[9 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:

- show understanding of price elasticity of demand
- interpret the figures of –0.5 as price inelastic and –1.2 as price elastic
- analyse a link between price elasticity of demand, a related pricing strategy and increasing sales revenue.

Indicative content:

- a clear chain of argument interpreting the meaning of the –0.5 figure; health tea being price inelastic demand
- price inelastic demand will allow the business to increase price of health tea and as percentage increase in price will be half the fall in percentage demanded then revenue would rise if price increased
- a clear chain of argument interpreting the meaning of the –1.2 figure; black tea being price elastic demand
- price elastic demand will allow the business to decrease the price of black tea then revenue would rise if price decreased.

Allow other relevant arguments.

1 9 A company sells a single product: Product A.

Table 2 Income and price elasticity of demand for Product A

Income elasticity of demand	+0.5
Price elasticity of demand	–2.0

During the next year:

- consumer incomes fall
- the price of Product A increases.

Based solely on the information provided above, analyse how the sales revenue for Product A will change over the next year.

[9 marks]

Marks for this question: AO1 = 2, AO2 = 3 and AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of this question are:
- showing an understanding of price elasticity of demand and income elasticity of demand
- analysing how the data in the table and other information provided might improve or worsen the sales revenue from Product A.

Indicative content:
- recognising that the income elasticity of demand for Product A is low/inelastic but positive – a 'normal' good
- analysing that a fall in consumer incomes will lead to a smaller % fall in the quantity demanded
- analysing that such a change will lead to a fall in sales revenue as the quantity demanded will fall
- recognising that the price elasticity of demand for Product A is elastic
- analysing that an increase in price will lead to a larger % fall in the quantity demanded
- analysing that such a change will lead to a fall in sales revenue as any extra revenue from the higher price will be more than lost by the larger % fall in quantity demanded
- analysing that both factors in the table will lead to a reduction in sales revenue.

0	6	*How useful do you think the data provided in **Figures 1, 2** and **3** might be to Claudia when predicting future sales? Justify your answer.* **[16 marks]**

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4, AO4 = 6

Level	The candidate will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The focus of the question is on:

- a discussion of the potential meaning of the different forms of data in figs 1,2 and 3 and their use in predicting future sales
- a judgement related to the use of this data in forecasting future sales.

Indicative content may include:

- the data in **Fig 1** shows trend data for the **whole** market in UK and USA – useful **but** they are in a **niche** part of the market – so how useful is it?
- data on markets in UK and USA – other parts of the world would have been useful too – the business sells to Europe and elsewhere
- UK data seems less variable and could be easier to extrapolate than the USA data, more certain to predict in UK
- **Fig 2** shows Price and Income elasticity data – this will be useful in comparing the ethical market with the wider market, but of little use in predicting future trends
  - Income elasticity may help to consider the impact of income changes, e.g. GDP as an external influence
  - price elasticity may have less use in predicting sales except in response to potential price changes – arguably therefore of little use here
- the Income data shows predictions across 3 areas – UK is most important as larger sales there; will income of target market follow same trend?

A good response will consider the use of each set of data – to support a balanced discussion of the use and limitations of the data sets. The analysis will flow through to the potential use of the data for Rana Fashion and Claudia in predicting future sales. It is likely that mention could be made of data that could have been useful (e.g. E.U clothing sales).

Supported judgement related to the use of the data - based on prior analysis and focused on the question set will be needed for a good or excellent response. An excellent response will have clear focus on the specific nature of the data provided and how useful it may be.

Potential points of judgement may include:

- how relevant is the overall fashion data for Rana Fashion's relatively small niche?
- how well can you extrapolate from the data – in particular the USA data is very variable
- PeD data is useful to compare 2 markets – but of little use in predicting overall sales
- YeD data may be useful in comparing 2 markets – but could also be useful if Rana Fashion also knew income data for target market
- other data would also be useful, e.g. their own sales data or sales of ethical products
- will any predictions be possible for a young business in a niche part of a volatile market?

0 1 . 5	Kellogg's is developing a new RTE breakfast cereal for the UK and has examined the market research data in **Appendices A** to **E**. Do you think that the use of this market research will guarantee that this new product achieves high sales? Justify your answer. **[16 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4 and AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well-selected in relation to issues in the question • demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	13–16
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.	9–12
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and not fully focused on the question as a whole.	5–8
1	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	1–4

The demands of the question are:

- to consider a range of issues
- to clearly analyse whether the use of this market research would guarantee the high sales
- to have balance in arguments
- to judge whether the use of this market research would guarantee the high sales for a new product

Indicative content/Answers may include:

This market research can provide some insights which can affect the marketing mix and help sales.

- Can see from Appendix B that the price is increasing in the market so this influences the pricing decision, e.g. may gain sales with relatively low price if prices generally rising. Or this may indicate a move towards more premium products which might affect the positioning of the product. However Appendix B does show that sales are forecasted to fall in the market as a whole which may make it difficult for any new product to succeed.
- Can see from Appendix D what consumers think of breakfasts, e.g. majority do not prefer more exciting cereal at weekends, think they are a guilt free treat, a good way to get an energy boost; this can affect how the products are promoted and the messages used.
- Kellogg's has the largest market share with several brands; may suggest it has the experience to launch a product successfully. The business will have power which may help ensure it is distributed effectively.
- Appendix E suggests advertising may not be significant to sales; if this is true in the UK this might affect how the business is promoted.

However, achieving high sales will depend on:

- how well the data is interpreted and what decisions are made
- how well any decisions are implemented
- other factors such as competitors' actions.

This market research:

- is limited
- may question sample size and selection
- may not be relevant to the future; some may be specific to when it was collected.

So judgement may well be that market research can help sales if used appropriately but not guarantee it or may be that this research is too narrow to guarantee it.

Accept other relevant answers.

0 1 . 5	To what extent does the information provided suggest that now is a good time to launch a new brand of tea? **[16 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well-selected in relation to issues in the question • demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of the question are:

- to consider the arguments for it being a good time to launch a brand of tea
- to consider the arguments against it being a good time to launch a brand of tea
- to consider the balance of arguments to make a judgement about the decision based on the information provided.

Indicative content:

- the traditional tea market is declining at a significant rate potentially making it a bad time
- the traditional tea market remains large and valuable, so could be an attractive time
- the tea market is sub-divided and there are growing niches that could be focused on
- younger people are favouring coffee and health (herbal/fruit/green) tea
- ethically sound products may be favoured – does this provide an opportunity to focus on
- established brands are very strong brands – providing a large barrier to entry (Porter) – sales dominance of top four brands so not a good time to enter – could use calculation from Question 2 (70.32%) or OFR.

However, need to consider:
- Finance – is the new brand able to penetrate the market effectively eg is it a brand with backing (financial or as a name) from another market. If so it may more readily enter the market.
- Other information (data beyond that provided) would be useful – such as the channels of distribution available eg dominance of supermarkets; the coffee market; the scale at which the new brand wishes to operate.

Overall, there may be opportunities even though the market is declining, but it will depend upon a range of factors eg:
- the niche/segment being aimed at
- what the new brand's USP is
- how well the brand can be supported and promoted.

Allow other relevant arguments.

2 2	The marketing department of a business wishes to increase its market share in a growing market. To what extent is market research the most important activity of the marketing department in order to achieve this objective? **[25 marks]**

25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Level	The student will typically demonstrate:	Marks
5	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**21–25**
4	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**16–20**
3	**A reasonable response overall that focuses on some demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**11–15**
2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**6–10**

1	**A weak response overall lacking focus on the demands of the question.** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–5**

The demands of the question are:
- understanding market share and market research (MR)
- analysing the impact of market research on the success of marketing overall in the context of a growing market
- contrasting this impact with the impact of other activities of the marketing department
- assessing the extent to which market research is the most important of the activities of the marketing department, in order to achieve an increase in market share.

Indicative content:
Possible ways in which MR can help to increase market share in a growing market include:
- can identify relevant market segments and how to target them
- can provide insights into consumers wishes and behaviour, such as reaction to promotions and price changes
- may learn the best ways of promoting goods
- may identify trends and potential changes
- can discover factors/approaches that lead to increased market share.

Other ways in which the marketing department might increase market share include:
- modifying the marketing mix or particular elements of the 7 Ps in order to create growth
- adapting elements of segmentation, targeting and positioning.

*Marker's Note: Answers that do **not** analyse market research but just assert that that another factor is more important (and explain why) should be limited to a maximum of L2 - 9 marks.*

Evaluation
Market research will generally affect sales growth by improving the quality of other marketing activities, so its importance can be related to how well the MR is used in other marketing activities.

Evaluation should assess how MR can help growth, whilst recognising that other actions of the marketing department also have a role to play in helping to achieve a higher market share in a growing market.

The quality of the overall judgement will depend on the strength of arguments presented in favour of either MR being the most important factor or other functions of the marketing department being more important.

Furthermore, it could be argued that, in general terms, it will be challenging to increase market share, especially as the market is growing and therefore likely to attract more competition. In contrast, it could be argued that a growing market could help increase market share, because the business could target new customers, rather than having to attract customers away from their competitors.

Good evaluation should assess the extent to which market research is or isn't the most important of the roles of the marketing department, in order to achieve an increase in market share in a growing market.

Credit should be given to other approaches to this question.

Question 05 · Section A objective test question

Correct answer: A

Behavioural and demographic

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 06 · Section A objective test question

Correct answer: D

Statement 1 is false. Statement 2 is false.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 04 · Section A objective test question

Correct answer: B

demographic segmentation to behavioural segmentation.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 13 · Section A objective test question

Correct answer: A

economies of scope

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

0	**3**	Explain **one** drawback to VeganLife Ltd of operating in a growing niche market. **[4 marks]**

Marks for this question: AO1 = 2, AO2 = 2

Level	The candidate will typically	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	4
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2–3
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question focus on:

- an explanation of a drawback for VL from its decision to be in a growing niche market.

Indicative content may include:

The niche market VL is in is growing quickly with more competitors for it to compete with. Some issues it may face are:

- the need to increase advertising to get its brand known
- the potential loss of customers to competitors
- the possible effect on its pricing – does it need to reduce prices to stay competitive and how does this effect its profit?
- does it need to find more USPs to stay competitive?
- can it afford to invest in new ideas, new advertising for example.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

0 1 . 3	Using the data in **Appendix D**, explain **one** benefit of the use of market segmentation to a business selling tea. **[4 marks]**

Marks for this question: AO1 = 2, AO2 = 2.

Level	The student will typically demonstrate:	Marks
3	**A good response that focuses on many of the demands of the question.** • Benefit explained clearly in context.	4
2	**A reasonable response overall that focuses on some of the demands of the question.** • Good understanding. Or some understanding with some use of case.	3–2
1	**A limited response overall that focuses on a few demands of the question.** • Some understanding of market segmentation.	1

The demands of the question are:

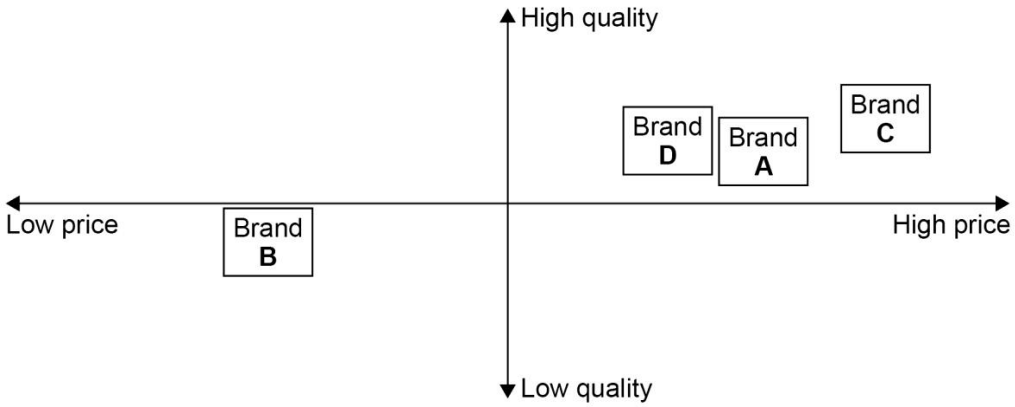
- to demonstrate an understanding of market segmentation
- explain a benefit of market segmentation
- to contextualise to the tea market by using the data.

Indicative content:

- market segmentation is splitting the consumers into groups depending on certain characteristics
- benefits of this incudes better understanding customer needs; better targeting of promotional messages; designing products more in line with segments' needs
- targeted promotion may be a way to save money as well as being more effective
- relevant data provided includes:
  - **Age** –
    - over 65s drink black tea more frequently
    - younger people are more likely to never drink tea
  - **Gender** – males less likely to drink health tea
  - **Lifestyle** –
    - ethical sourcing seen as important
    - growing niche parts of market are associated with health benefits.

Allow other relevant arguments.

1 5 A business is creating a new product. The business has produced a market map of rival products which is seen below.



Analyse how using this market map of rival products might affect the positioning of the new product.

[6 marks]

Marks for this question: AO1 = 2, AO2 = 2 and AO3 = 2

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**5–6**
2	**A reasonable response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**3–4**
1	**A limited response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–2**

The demands of the question are:

- analyse how using a market map might influence decisions in a given business
- use market map example to apply how the market map might be used for a new product in this case.

Indicative content:

- using a market map may allow a business to identify where there are gaps in the market for sales. This in turn allows the business to create a product/brand that can exploit the gaps that may be identified. This allows them to increase their sales volumes and increase market share often avoiding overly competing with a rival
- in this particular marketing map, it appears that the market is swamped with products that are relatively high price and high quality. The gaps in the market mean there is less likely to be direct competition
- in this case there are gaps for low quality high price products as well as low price and high-quality products. It is likely the low price and lower quality area, with just one competitor which is likely to be potentially profitable, may appeal to the business.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

1	8	Analyse why a large business might choose to introduce a product into a niche market. **[9 marks]**

Marks for this question: AO1 = 2, AO2 = 3 and AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of this question are:
- to show understanding of niche market
- to analyse why a large business might choose to introduce a product into a niche market.

Indicative content:
Possible responses include:
- recognising that a product might only be of interest to a particular group of consumers. However, they may be willing to pay a price that yields a profit for the large business
- arguing that niche market consumers are often prepared to pay higher prices than consumers in mass markets. This might enable a large business to achieve high added value
- analysing how competition in a niche market may be limited or comprised of small firms that cannot match the price or marketing capabilities of a larger business
- arguing that this niche may be a growing market that will expand into a much larger market over time
- analysing that the niche market may consist of customers who are already loyal to the large business's brand and so the marketing expenditure needed might be low.

0	**5**	G-Free Ltd only supplies the niche market of gluten-free food. To what extent do you think this is a risky decision? **[16 marks]**

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4, AO4 = 6

Level	The candidate will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question. • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question. • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question. • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The focus of the question is on:

- a discussion as to the extent of risk involved in G-Free Ltd focusing solely on the gluten-free niche.

Indicative content may include:

- A niche market will inevitably limit the potential scale of the business overall, this has an impact on the degree of risk – can impact on the returns on investments and operational issues relating to scale that can increase risk.
- Being solely in the niche stops G-Free Ltd from being able to spread risk between multiple products in different markets.

However

- The gluten free market is growing significantly (see figure 1) and G-Free Ltd have been innovative within this market to develop many new and related product lines – these features help to reduce the risk within this niche.

The level of risk may depend on:

- Whether the managers continued to be effective and whether the niche continues to grow.
- The actions of competitors e.g. if others enter the niche

16 . 2	Ondata Bicycles Ltd is considering entering the mass market with low price bicycles in addition to its current target market. Do you think this would be a good decision? Justify your answer. **[16 marks]**

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	The candidate will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrate analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**

1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrate analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of the question are:

- to show understanding of mass and niche marketing
- analyse factors for and against entering the mass market
- make a judgement about whether it would be a good decision to enter this market given Ondata's current situation.

Indicative content:

- mass market products are aimed at a broad market segment
- the high-performance market is very income elastic (+3 means any percentage change in income will lead to a change in demand that is three times greater). If incomes are expected to fall in the UK this will reduce sales in this segment significantly
- by comparison the low-price market is expected to have some growth and so Ondata may want to target this segment
- capacity utilisation at the factory seems relatively low (55%) so there is the ability to produce more bikes although this does depend on the volume ordered by national retailers
- there may be an impact on the sales of high-performance bikes if the brand is affected by being associated with low price bicycles; Ondata is viewed as a high-performance brand; moving into the mass market could reduce this appeal
- to reach the mass market Ondata would need to use the large retailer Bayes. Bayes will keep 50% of the selling price, versus 30% kept by the current independent stores
- the average selling price will be considerably lower and there may be additional costs entering a new market such as the costs of promoting the new products.

Evaluation:

Given the increased competition in the high-performance market and the potential falling sales with incomes falling and an income elastic product and the need to increase capacity utilisation, entering the mass market is probably a good decision.

Whether this is a good decision for Ondata depends on:

- the impact on its existing sales; can it overcome this by having a different brand?
- whether it can negotiate any better terms with Bayes; for example a higher share of the selling price would be desirable for Ondata.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

0 2 . 4	Seebus plc targets its marketing towards higher income customers. Should **all** businesses segment their markets based on income? Justify your view. **[16 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well-selected in relation to issues in the question • demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of the question are:
- to demonstrate understanding of market segmentation by income
- to analyse why income may be the most effective basis for segmentation
- to evaluate whether segmentation by income will be an appropriate method for all businesses.

Indicative content:
- segmentation by income involves identifying a sub-group within a market to allow a company to target its marketing more effectively
- segmenting by income allows a company to understand consumers' purchasing power and implement appropriate strategies
- income segmentation may be effective in niche markets where a specific need is being satisfied and so a price premium can be charged
- income may be a useful basis where income elasticity of demand is high
- examples of products or services for which income may, or may not, be the most appropriate method to segment a market
- reasons that other segmentation bases (age, gender, behavioural characteristics etc) may be more appropriate for certain businesses or markets
- reasons that income may be a poor predictor of demand or behaviour among certain groups, eg where products are seen as a necessity and demand is income inelastic
- the benefits of segmenting by income may depend upon on how cheaply and accurately it can be performed and the type of product being sold.

Further guidance:
- there is no need for a response to refer to any particular business, although this may be used to exemplify certain products or markets where income is more or less useful
- responses may well consider the relative benefits of alternative methods of segmenting a market or of not segmenting and, instead, targeting a mass market
- an evaluation is likely to involve a judgement concerning why and when segmenting by income may be appropriate and may focus on whether it can ever be the best alternative for **all** businesses.

Question 01 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 06 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 09 · Section A objective test question

Correct answer: D

Lowering unit costs

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 13 · Section A objective test question

Correct answer: D

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 02 · Section A objective test question

Correct answer: C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 02 · Section A objective test question

Correct answer: D

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 05 · Section A objective test question

Correct answer: B

dog.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 04 · Section A objective test question

Correct answer: B

a cash cow to a star.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

0	**3**	Explain **one** factor that may have influenced the design of the promotional mix used by HS to boost demand. **[4 marks]**

Marks for this question: AO1 = 2, AO2 = 2

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	4
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2–3
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context	1

The demands of the question focus on:
The factors influencing the promotional mix rather than the promotional mix itself
Influences on the promotional mix of HS to boost demand

Indicative content may include:
The finance available to HS; the type of customer/target market that HS is trying to attract – and how this may influence the promotional mix when trying to boost demand. This could be related to demand for customer overnight stays or demand for membership.

Approaches are likely to be:
- A well explained answer will apply theoretical points to the context
- A reasonable explanation is less focused on the demands of the question e.g. less thorough on explanation or less well applied

0	3	PE Ltd is considering targeting individual customers directly in addition to selling to businesses. Explain **one** impact this change could have on its promotional mix. **[4 marks]**

Marks for this question: AO1 = 2, AO2 = 2

Level	The candidate will typically	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	4
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2–3
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question focus on:

- an explanation of how the promotional mix may change
- following the new target market of individual customers.

Indicative content may include:

- the promotional mix may include the salesforce, advertising and sales promotions
- the type of customer/target market that PE Ltd is now trying to attract will influence the nature of the mix. For example, with business customers the sales team may be very important. When targeting families, the business may use more advertising
- the business will need to consider the best way of communicating with this target market, eg when deciding on different forms of advertising
- PE Ltd may decide to have two promotional mixes; one for the business customers and one for the individual customers.

1 7 . 1 *Sports Success sells through its own retail outlets and online. Analyse how **two** elements of its marketing mix may differ between its retail outlets and its online store.*

[9 marks]

9 mark analytical questions: AO1 = 3, AO2 = 3 and AO3 = 3

Level	the student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question focus on:

- analysing how two elements of the marketing mix vary
- between retail and online outlets.

Indicative content:

- the prices at retail outlets can be varied but not as much as they can change online. At the online store prices can be changed very regularly (with dynamic pricing) according to demand from different regions, at different times of day etc
- the physical environment is extremely important in its stores - the displays, the layout, the décor etc. This can be seen by the investment in the new upmarket stores and the focus on the interiors. Obviously the physical environment does not matter for online - what matters here is the website design
- the people - again not a key issue with online except for perhaps customer service staff online to answer queries. Key part of retail outlets in terms of how they serve people, their knowledge of the products and helping people find what they need
- the process. The interaction with customers and buying process will vary. In store customers can get face to face advice and direct questioning to identify their needs. Online this may have to be provided by the information that appears and eg live advice. How customers receive information will vary.

Approaches likely to be:

- good response: analyses two relevant elements of the marketing mix effectively showing clear differences between online and in store
- reasonable response: analyses one element effectively
- limited response: identifies relevant points.

further guidance:

- key to analysis here is explaining the difference ('effectively showing clear differences between online and in store)
- e.g. one element well explained + one element not so well explained might reach the bottom of L3

Section C

Total for this section: 50 marks

16	**.**	**1**	Analyse the marketing actions that Horizons Ltd could take to increase its revenue. **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:

- analyse the marketing actions Horizons could take to increase revenues.

Indicative content:

- Yusuf needs to change the focus of the price as the low cost pricing does not fit with the price elasticity of –0.3. An increase in price is unlikely to have a significant impact on the volumes and therefore Yusuf would benefit from increased revenues by doing this
- Yusuf needs to consider the current use of the promotional budget. At present the print advertising budget has very little impact on the sales that he can generate and it is clear that there is a stronger correlation to sales with the social media budget. By moving around £15 000-£20 000 of the budget across he could get the best results from both
- at present the print advertising budget has very little impact above £20 000 on the sales that he can generate and it is clear that there is a stronger correlation to sales with the social media budget until £30 000.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

0	4	With reference to **Figure 3**, analyse the possible consequences to Hoods Ltd of continuing to sell swimwear. **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3

Level	The candidate will typically demonstrate	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question focus on:

- analyse the consequences
- of continuing to sell
- to Hoods Ltd

Indicative content may include:

- this type of product has low market growth and low market share (Dog product.)
- the sales of swimwear (Dog product) could continue to decline/fall and result in a financial loss for Hoods Ltd.
- continuing to produce this product takes resources away from another product such as one with high market share and/or growth, for example the tracksuits (Star product.)
- Hoods Ltd may need to market this product further if Hoods Ltd want to improve its position on the Boston matrix . This could require an increase in spending.
- the sales of swimwear could improve for Hoods Ltd if that market improves, for example consumers taste change towards that product type. This would result in swimwear moving out of the Dog section on a Boston matrix into a more favourable position such as a Cash Cow.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate. Students may refer to products as 'dog', 'star' etc in their responses.

0	3	.	2	With reference to **Figure 8**, analyse the actions Kento should take regarding its product portfolio in Europe to improve its long term financial performance. **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3

Level	The student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that : • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9 marks**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that : • demonstrates a limited knowledge and understanding a range of issues in the question or a good knowledge and understanding or relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6 marks**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that : • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3 marks**

The focus of the question is on:

- The actions Kento could take to impact on its various products (not just an identification of aspects of its product portfolio)
- How these actions could improve Kento's long term financial performance e.g. sales and profits over time

Indicative content may include:

- Mint cola is a dog product-consider selling off to raise revenue or closing down to stop it draining resources. This would reduce costs and should free up funds for use in promotion or investment elsewhere, helping to promote their other products increasing sales.
- Cola, cherry cola and vanilla cola are cash cows; but the company has no rising stars Kento needs to milk these products to promote the stars and build the question marks. This needs to be done before these products potentially become dogs.
- Still water and orange juice are question marks and need investment to build and protect them to generate sales and profits into the long term.
- The business needs to develop stars and build the question marks to protect its financial position long term and eventually move into cash cows. It needs to use its cash cows to support innovation and market research generating future products, in the long term this should improve financial performance after investment costs have been recovered.

0	1	Analyse **two** benefits to Hopps Clothing Ltd of creating a strong brand. **[12 marks]**

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question	**9 – 12 marks**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question	**5 – 8 marks**
1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context	**1-4 marks**

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 6

The demands of this question are:

- To analyse two benefits of creating a strong brand
- to Hopps Clothing.

Indicative content:

- price premium – margins are clearly a significant issue
- customer loyalty – especially important in such a highly competitive/crowded market
- recognition for new product ranges – especially in an industry (fashion) where individual products' life cycles are likely to be short
- easier to gain distribution if he chooses to sell through retailers
- may attract publicity/endorsement – perhaps meaning he does not have to pay for celebrity endorsements.

Credit other valid lines of analysis.

2 benefits is a range

Answers exploring how to create a strong brand are not focusing on the question

A Level 2 response may feature theoretical development without context or with weak context

A single, well-developed contextualised argument is likely to score at the top of level 2

Two arguments, well analysed with only one clearly in context can reach lower end of Level 3

0	**1**	Analyse how AM plc needs to change its marketing mix to make its new strategy of focused differentiation successful. **[12 marks]**

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question**. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question.	**5–8**
1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context.	**1–4**

The demands of this question are:

- show an understanding of focused differentiation
- links adoption of focused differentiation to the need for changes in the marketing mix
- in the context of AM plc's new strategy being successful.

Indicative content:

- prices will rise
- promotional methods will change to focus on a smaller and different range of customers – recognising the shift from business to consumer to business to business model
- product will change significantly, with a far greater focus on functionality
- place – the business will no longer distribute through retailers, focusing instead on direct channels
- valid references to the extended mix (people, physical evidence and process) should be credited
- accept other relevant arguments.

0	1	Analyse the factors affecting SSN Ltd's promotional decisions. **[12 marks]**

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question.	**5–8**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context.	**1–4**

The demands of this question are:

- analyse factors affecting promotional decisions
- link these to aspect(s) of SSN Ltd's context.

Indicative content:

- B2B – focus on target market of decision-makers in large businesses – so promotional channels must be able to reach these. **Appendix B** shows methods that may achieve this.
- An image of trustworthiness and reliability will be key in this market which may rely on creating an image of being a large established business – which could explain sponsorship as a means of pushing the company's wider reputation. This will also affect messaging behind promotional activities.
- Online only – not likely to mean only online channels should be used – note the relative importance of personal selling.
- Focus on large businesses as customers probably increases the amount that needs to be spent on promotion, in order to access channels that will reach decision-makers within these companies.
- Bemi majority owns and controls the business – therefore her say is likely to override the opinions of others in making promotional decisions.
- The product's position on the Boston Matrix (probably a star, with high share of a high growth market) suggests heavy promotional spending will be needed to protect market share in a market that will be attractive to new entrants.
- Finance available – SSN Ltd is short of cash and heavily indebted – therefore budgetary constraints are likely to influence the promotional methods chosen

- Promotional decisions may consider both methods of promotion used and the message behind the promotional activities.

Accept other relevant arguments

NOTE: One factor with well-developed analysis applied effectively to the context should score 9 marks

17 . 2	Do you believe that Charlotte should renew her contract with Doyles or start selling online only? Justify your answer. **[16 marks]**

Marks for this question: AO1 = 4, AO2 = 2, AO3 =4 and AO4 = 6

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question or a good knowledge and understanding of relatively few issues in the question, demonstrate analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrate analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole.	**1–4**

Examples of how assessment objectives might be met in this question include:
- demonstrate knowledge and understanding of relevant issues such as channels of distribution and branding (AO1)
- be applied to the context of Charlotte's business (AO2)
- analyse how the effect of moving online will effect Charlotte against staying with a retailer (AO3)
- evaluate a range of valid information to make an informed judgement on how significant the choice of moving online is in increasing the profitability of the business (AO4).

Possible responses:
- online allows her to make significantly more profit margin (calculation may be used to add to answer with Doyles £20 x 40 items = £800 or online £64 x 18 = £1152)
- her sales will fall initially online and she will have to spend significantly on advertising
- online sales will require her to take on more business decisions
- time taken to advertise the business may take away from her love of making the product.
- she could use her award and brand to sell under her own name
- there needs to be careful consideration of the risk of giving up a successful contract.
- the market is growing so she has the potential to expand in the long run
- to fulfill orders she already has to work very hard, does she have time to run her own more complex operations?

Evaluation:
On balance, Charlotte wants the business to become more profitable. The product has potential to be branded and use her awards and personal story. She could also make a larger amount of profit in the long run. However, there are large risks involved with the amount of advertising she will have to do and potentially giving up a stable contract. Although initially she may lose sales and have to spend more time advertising in the long run she is likely to be more profitable.

Further guidance

A level 4 response is likely to understand the importance of the risk within the decision, the passion Charlotte has for her products and how using online sales, despite the risks, can allow her business to expand rapidly. It is likely to make a definitive decision about what Charlotte should do with her particular business given the scenario with some factors she must consider.

A level 3 response is likely to consider what the impacts of selling online might have in general compared to selling through a retailer and make some judgements about why online/Doyles might be preferable for Charlotte in this scenario.

A level 2 response is likely to analyse how online compares to retailer distributors as a channel of distribution in general terms to increase sales, with some consideration of elements of Charlotte's situation.

A level 1 response is likely to address some advantages or disadvantages online or retailer channels and may make a generic judgement.

please note:

- one valid calculation (e.g. .£800 or £1152) only = L1 (4 max)
- two valid calculations (e.g. £800 & £1152) only BUT no judgement = L2 (6 max)
- two valid calculations (e.g. £800 & £1152) only + a logical judgement = L2 (8 max)
- calculations are NOT required to reach level 4

Specification Coverage (excluding MCQs)

Assessment Objectives	Paper 1 Marks	Paper 1 %	Required %
AO1	21	30	34 -40
AO2	20	29	26 – 30
AO3	17	24	18 – 22
AO4	12	17	12 – 18
Overall mark	70	100	100

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0	6	Was Lorna right to choose 'price skimming' to set the price for the hiring of the 'Our Place' meeting room? Justify your answer. **[16 marks]**

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4, AO4 = 6

Level	The candidate will typically demonstrate	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of the question are

- analyse the case for and against skimming as a pricing strategy in the context of this business
- the development of a supported judgement and decision as to whether this was the correct decision in this case.

Indicative content may include:

- skimming is to enter a market setting a high price
- the venue is new and modern so could justify the high price
- the historic building is a USP and this may be attractive enough to justify skimming
- data suggests that many businesses are dissatisfied with current providers (only 20% satisfied) so the new provision may be preferred, and could this justify skimming
- however, there is established competition – as a result skimming may be the wrong strategy
- price is stated as a major influence by the majority (55%) of businesses surveyed
- reference to other pricing strategies should be acknowledged as a counter argument.

Potential points of judgement may include:

- in this context is skimming the most appropriate choice, high price justified for quality service and unique venue?
- not correct as competition is established – would penetration pricing be better?
- if supported, then it is appropriate to acknowledge either conclusion – skimming being correct or not.

16 . 2	Rockall plans to increase investment in just one of its new product ranges. Advise Rockall whether to increase investment in its sports shoe range or its jewellery range. Justify your answer. **[16 marks]**

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	The candidate will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrate analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrate analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question	**1–4**

	• makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole.	

The demands of the question are:

- analyse the case for Rockall **increasing investing** in sports shoes or jewellery as a product range
- make supported judgement on which is the best decision given the circumstances.

Indicative content:

- The market for sports shoes is much larger in terms of market size than the jewellery market (market sales in the jewellery market are much smaller than sales in the sports shoe market). By expanding in this market, Rockall would have a larger potential customer base and potentially larger sales volumes. However, the market share shown in the Boston Matrix shows that their market share is falling and sales have dropped away. If Rockall could improve its market share this could increase its sales revenue. However, the market is already dominated by a few large multinationals. It does not appear they are in a very good position, given their branding, to exploit this market at present.
- There are large profit margins to be had in the sports shoe market so it would appear that the return on investment might be more significant in the sports shoe market due to these higher profit margins. However, it looks as though any investment would be swallowed up quickly as the rivals in this market are spending 'several hundreds of millions of pounds' on advertising. Meanwhile in the jewellery market the competitors are 'relatively small'.
- To expand in the shoe market, it is going to require Rockall to spend heavily on advertising and branding which is something they currently appear to avoid. While this might have potential, it seems to be a very risky proposition given established multinational brands already existing, and the owners do not appear to want to take 'excessive risks'.
- The age group demographic in the sports shoe industry fits with the age segment that Rockall aims for elsewhere but, given the information in the Boston Matrix that they are losing market share, it appears that this is not successful for them at present.
- The jewellery market is limited in size compared to sports shoes, only half of the size of the sports shoe market and the growth according to the Boston Matrix appears to be limited. However, they have established position in this market and their market sales are growing. This market also matches well with the Rockall brand image for lower priced items. The profit margins may be more limited but it fits better with their approach and wish to grow more cautiously.

Evaluation:

Factors identified as above but also ultimately the choice comes down to what sort of business Rockall want to be. If it wants to keep its current image and costs to a minimum and expand in a more cautious way as mentioned in the case study, then it makes sense to go with the jewellery products. These appear to give them the growth required, although a smaller market could potentially be very successful market for them. The jewellery market seems to fit their model much better. While the sports shoe market has great potential in market size, it is a competitive and more branded market. Despite rapid growth in the sports shoe market there is limited evidence Rockall are making progress, in fact their sales have fallen. It is going to be hard to change the image of Rockall and probably require a lot advertising and cost, which they are keen to avoid, to develop success in the sports shoe market. Jewellery seems like an easier win for Rockall fitting the criteria of sustainable growth and lower risk.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

16 . 2	Dean is considering removing BZT Ltd's price match promise and focusing more on its free support service instead. To what extent do you think this is the right decision? **[16 marks]**

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	The candidate will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrate analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrate analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole.	**1–4**

The demands of the question are:

- analyse the reasons for and against BZT Ltd removing the price match promise and focusing on the free support service
- make supported judgement for or against the business removing the price match promise and focusing on the free support service for their long-term future.

Indicative content:

- Dean sees the price match promise as a tradition and believes the business is widely recognised for this, and removing the price matching may lose them customers. The business is already having higher costs than online competitors and any increase in price is likely to lose some customers
- while removing the price match promise may be damaging in the market as a whole to sales, BZT Ltd customers seem to be price inelastic and not price sensitive. Increasing prices will have a marginal impact on the sales in the market of over 60s and this is the largest growing market
- the free support service needs specialist staff and this will create additional costs. If the focus is moved more towards this free support service, costs will rise even more and may lead to even further price rises. This may not affect sales significantly with customers over the age of 60 but would not be a successful strategy with the customers of the online competitors who are price sensitive
- evidence suggests that the growing demographic is in the over 60s. Given the information on the market research about the average age of the customer for BZT being over 60, this appears to be the target market of BZT and therefore it should focus on this type of customer. These customers do not seem to be price sensitive but rather more interested in the support service that is unique to BZT. Removing the price match promise will allow the business to spend more resources promoting other elements of the business such as their support service
- Dean may want to remove the price match promise as margins are lower than competitors as shown in the table and reducing the prices lowers their margins furthers.

Evaluation:

The business may have based itself on the price match promise in the past but with online retailers having much lower costs, it is now becoming impossible for the business to be profitable this way. There is plenty of evidence that the business is being successful with the older demographic, who are not price sensitive, and will find the other USPs appealing, such as the free support service, which online retailers do not offer. Therefore, further support on this, despite some increased costs, seems to be a good move as they have some scope to raise prices.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

0	7	Habib believes that in order to increase sales revenue, Hoods Ltd needs to increase the price of its products rather than increase spending on promotion. Do you agree with Habib? Justify your view. **[16 marks]**

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4, AO4 = 6

Level	The candidate will typically demonstrate	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**

1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of the question focus on:

• an analysis
• of increasing price and increasing spending on promotion to Hoods Ltd
• a focus on a judgement
• and a decision related to which of the two options should be chosen to increase sales revenue for Hoods Ltd

Indicative content may include:

• price and promotion are part of the marketing mix, for many businesses one of the 'P's' is usually more important/impactful than the others
• consideration of the quality of Hoods Ltd clothing and the higher prices set compared to other brands. Hoods Ltd clothing are already priced higher due to the quality of the materials used. Is it a good decision to increase prices when they are already set higher than some competitors?
• the Hoods Ltd brand is well known and established in the market so it could be argued that the products Hoods Ltd sell do not need promotion.
• if prices are too high this could leave Hoods Ltd vulnerable to fewer sales but the price elasticity of demand is inelastic at –0.1 suggesting demand is not very sensitive to price changes. The price still needs to fit the brand and existing customers' expectations.
• Habib believes that the clothes are of such good quality that an increase in price would not be a concern and therefore prices could be increased, leading to an increase in sales revenue.
• promotion is the element that is specific to attracting customers, therefore it could be argued that increasing promotion is vital in helping to increase sales revenue.
• the marketing manager is concerned that there is not enough promotion so this could be a reason to agree that spending on promotion needs to be increased.
• the global brands are likely to have large promotional campaigns and Hoods Ltd may need to launch its own promotional campaign one to remain competitive

Overall
• a consideration of the current financial situation, can Hoods Ltd afford to increase spending on promotion, for example a promotional campaign?
depends how price sensitive demand is
- can both be undertaken; could greater promotional spending support a price increase?

Note: both increasing price and increasing spending on promotion must be considered in the analysis for the highest level

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

0 2 . 4	Should businesses always stop the production of products classified as 'dogs' in the Boston Matrix? Justify your view. **[16 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well-selected in relation to issues in the question • demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of the question are:

- to demonstrate understanding of elements of the Boston Matrix
- to analyse the cases for and against ceasing production
- to judge under what circumstances the ceasing of production may or may not be the correct decision
- for **all** businesses.

Indicative content:

The Boston Matrix is a tool to analyse a business' product portfolio with the 'dog' product being a product with low market share in a low growth market (Speckles described as this in the case).

Gains from/reasons for ceasing production of a 'dog' include:
- it may be at the end of product life cycle – further extension strategies may be pointless and costly
- new entrants to the market may have eroded the product's position, it may no longer be possible to compete
- has the market as a whole changed/declined, if so, getting out of the market may be timely
- could allow the business to focus on other products that have more prospects
- money saved could fund research and development into new products.

Keeping a 'dog' going may be valid:
- if the product is a distinct niche
- if the product has little need for support/further investment, then no need to remove it
- if there is any prospect of the market picking up again in the future (e.g. vinyl records)
- if the 'dog' has a place in the business' wider product portfolio.

Overall it will depend on:
- the situation in the market
- the strategic direction of the business
- how the product portfolio fits together.

Arguments referencing the case are relevant, but the focus is on **all** businesses.

0 4	If the new production facility is built, Bodhi will aim to increase sales. To what extent is Bodhi likely to be able to increase sales using his current approach to promotion? Use **Appendix C** and other information to justify your answer. **[16 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**

1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of this question are:
- uses data from **Appendix C** and other information to analyse likely effectiveness of social media as a form of promotion for Logger Boards Ltd
- in the context of needing to increase sales
- makes a judgement on the extent to which the current approach to promotion is likely to increase sales.

Indicative content:
Arguments in favour of maintaining social media as the only form of promotion:
- the current approach to promotion has worked well so far – Bodhi has many followers, the business is working at maximum capacity and is profitable
- the case study states that 'demand for Logger Boards Ltd surfboards is expected to keep growing'
- Logger Boards Ltd is selling to a small niche market – social media may be an ideal way to target a small niche in a cost-effective way
- although most customers are in higher age brackets, while followers are young, it is plausible that parents may be buying surfboards for their children – the current approach to promotion may generate 'pester power'.

Arguments against maintaining social media as the only form of promotion:
- the data in **Appendix C** shows that Bodhi's social media followers aren't his customers. Logger Boards Ltd's customers are relatively old and on relatively high incomes, however, Bodhi's followers tend to be younger and on lower incomes
- the success of the business following a move to the new workshop depends on a substantial increase in demand – current demand has grown over 25 years – suggesting this natural growth may be too slow to generate the sales needed to enjoy the operational and financial advantages of the larger workshop.

Accept other relevant arguments.

Evaluation
An effective judgement should flow from the arguments presented. Judgement will come through the assessment of whether this approach will increase sales – given the information provided within **Appendix C** and elsewhere in the case study. **Appendix C** data must bring into question whether social media has in fact had only a coincidental effect on the success of the business, although arguments do exist for maintaining this approach.

Although responses that illustrate their counter-argument with reference to possible additional methods of promotion can be credited, the focus of this question is tightly worded to require a judgement on whether the current method will increase sales. There is no requirement to recommend alternative or additional methods.

0 1 . 4 In 2024, Biggs Ltd became the sponsor of a major televised sporting competition that attracts a wide range of ages and is popular with families.

With reference to the information provided, evaluate whether Biggs Ltd's decision to promote its new product range in this way is a good idea.

[16 marks]

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well-selected in relation to issues in the question • demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of the question are:
- to use the information to analyse arguments for and against the sponsorship
- to make a judgement about whether the sponsorship is a good idea.

Indicative content:
- children viewed the promotional plan positively and are keen to trial the new product range which will be important given their high consumption levels
- 6–16-year olds consume the most snacks and have driven recent market growth. They are also a key audience for the sports competition, implying a strong link to the sponsorship medium
- sponsorship may involve exclusive rights to sell snacks at the sports venues or allow other forms of merchandising which could enhance the impact of the promotional campaign
- the older age group, which represents the majority of purchasers, agreed that the promotion would improve the brand's image
- Biggs Ltd has spent significantly less than the industry average and market leader on marketing and this may have contributed to falling market share, so a sponsorship of an event with a wide television audience may arrest this decline.

However, it should be noted that:
- the proposed increase in marketing expenditure (of at least £8m) is significant when the company has generated little more than £9m of profit across the last two years
- the heaviest purchasers of snack products were not keen to trial the new products
- the 36+ year olds did not associate snack foods with sports events and this may reflect a growing social concern about 'unhealthy' processed food and its relationship with sports sponsorship
- the market research interview data came from a small sample of just 27 families and so may not be reliable. It was also conducted in 2021 meaning it may no longer be relevant
- 6–16-year olds were the most impressed by the promotional plan but represented the smallest proportion of snack buyers, with presumably the least purchasing power.

Overall, there is a need for a new promotional strategy to accompany the launch of the new product and this seems to be targeted appropriately. The success of the strategy may depend on:
- competitor actions
- the accuracy of the market research information
- the popularity of the new sporting event itself
- the level of reward that the considerable financial risk offers.

Accept all relevant arguments.

0	8	*'For any retailer to make a profit in the future it will need to be operating only online.'* *Do you agree? Justify your view.* **[20 marks]**

Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8

Level	The candidate will typically demonstrate:	Marks
5	**An excellent response overall that is fully focused on the key demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgments or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.	**17–20**
4	**A good response overall that focuses on many of the demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**13–16**
3	**A reasonable response overall that focuses on some of the demands of the question** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**9–12**
2	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**5–8**
1	**A weak response overall lacking focus on the demands of the question** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–4**

The focus of the question is on:

The retail industry; the opportunity to make profit with retail online as opposed to traditional models. It is to consider broader range of businesses within retailing than the Rana Fashion case.

Indicative content may include:

- online retailing offers advantages such as lower fixed costs
- growth of online versus traditional retailing – linked through to making profit in future
- statement does state 'only' online could success be from a sensible balance.

- an **excellent** response will have formed a balanced argument as to the relative accuracy of the statement. A range of points will be developed in depth to form a well-focused analysis of the question set. The argument should relate to the context of the question and consider the aspect of **'any retailers'**, i.e. looking at different target markets; different businesses and different circumstance – likely to be applying through well selected examples to illustrate arguments.

- The context of Rana Fashion can be used in the response set but a good / excellent response must consider the relative importance of operating online; it must have a sense of overview and relate to other businesses.

0	6	The nature of KMH plc's target market is probably the biggest influence on its marketing mix. To what extent is the nature of the target market the most important influence on the marketing mix of **all** businesses? **[24 marks]**

Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 9

Level	The candidate will typically demonstrate	Marks
5	**An excellent response overall that is fully focused on the key demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout	21-24
4	**A good response overall that focuses on many of the demands of the question** Provides an answer to the question set that : • demonstrates a depth and range of knowledge and understanding of issues in the question. • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question. • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	16-20
3	**A reasonable response overall that focuses on some of the demands of the question** Provides an answer to the question set that : • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question. • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question. • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	11-15

2	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that : • demonstrates a limited range and depth of knowledge and understanding of issues in the question. • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question. • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	6-10
1	**A weak response overall lacking focus on the demands of the question** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding. • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question. • makes judgements or proposes solutions based on assertions.	1-5

The focus of the question is on:

- Influences on the marketing mix of KMH and/or other businesses
- The relative importance of the target market and other possible influences on the mix
- Explaining the causal links between influences and the marketing mix
- Assessing the relative importance of the target market as an influence on the mix for ALL businesses

Indicative content:

- The target market could be most important influence because:
- It dictates how purchases are made
- The target market affects a wide range of elements of the mix

Target market may be a particular segment or may be a mass market.

In the case of KMH for example the target market is a few major companies placing large orders. KMH will focus on the benefits of the product and the service. It will use the sales team to target these big companies, building a relationship and negotiating. It will sell direct. This is a very different mix compared to say, a business producing chocolate targeting a mass market. The target market will affect e.g. pricing, product, distribution, promotion, people decisions and is therefore very important.

An alternative example could be a firm with a tech-savvy target market may choose to distribute solely online and promote via social media, or a company targeting the mass market may choose the broadest distribution channels available.

However there are other influences, which could include:

- the position in the product life cycle e.g. the mix may vary at the introduction stage compared to the maturity
- the Boston Matrix e.g. a business may take different marketing decisions with a dog product compared to a star
- marketing objectives e.g. if the business is aiming for a high market share it may take different marketing mix decisions compared to a low market share
- competition e.g. in a competitive market KMH must use their mix to differentiate from rivals
- positioning e.g. there are plenty of examples of businesses whose mix is dictated by their market position – such as discount supermarkets
- type of product – expensive industrial goods such as KMH's marine engines will have a different mix to many consumer goods
- other influences on the mix, especially external environmental factors such as the state of the economy are valid

Evaluation may consider:

- The undoubted importance of the target market i.e. it is clearly essential to link your mix to your target customers
- The fact that other factors will also influence the decisions being made such as what stage in the life cycle the product is and what the objectives are for it

Section C

2 1	Online sales have grown significantly in recent years. To what extent has this led to distribution (place) decisions becoming a more important element of an effective marketing mix? **[25 marks]**

25 mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Level	The student will typically demonstrate:	Marks
5	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**21–25**
4	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**16–20**
3	**A reasonable response overall that focuses on some demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**11–15**

2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**6–10**
1	**A weak response overall lacking focus on the demands of the question.** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–5**

The demands of the question are on:

- the extent to which online sales have influenced the role of place (distribution) in the marketing mix
- circumstances in which online sales have affected (or not) the marketing mix
- an assessment of circumstances in which the significance of place has changed or an overall judgement of whether or not place has become a more important element of the marketing mix
- an assessment of whether these changes have made place a more important element of an effective marketing mix.

Indicative content may include:

- nature of changes in distribution, such as more sales directly from producers
- retailers adapting to online by delivering directly to customers and/or redesigning stores for click and collect
- more focus on design of websites
- greater integration of physical and online facilities and an assessment of the importance of distribution in these processes
- promotion shifting from traditional media to online and social media
- the impact of online sales on the other elements of the marketing mix, such as:
- less need for packaging; demand becoming more price elastic goods as the number of outlets has increased and price comparison is easier for customers; physical environment becoming less important or emphasis shifting to the appearance of company websites.

Evaluation may consider:

Overall distribution/place is changing in nature but has always been an important element. Overall judgement will depend on the arguments presented, but possible lines of evaluation are:

- place changing in importance depending on whether the good needs to be tried before purchase
- opportunity for free returns is encouraging untried orders, so place changing from shops to delivery of goods
- certain aspects of the 7 Ps changing, rather than becoming more or less important
- place becoming more important in markets where direct delivery is used
- a fully-integrated marketing mix is still crucial.

Section C

2	2	To what extent might the use of the Boston Matrix enable a multi-product business to achieve overall sales growth? **[25 marks]**

25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 10

Level	The student will typically demonstrate:	Marks
5	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	21–25
4	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	16–20
3	**A reasonable response overall that focuses on some demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	11–15
2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	6–10

1	**A weak response overall lacking focus on the demands of the question.** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–5**

The demands of the question are:

- showing understanding of the Boston Matrix
- analysing how the categorisation of a product using the Boston Matrix can indicate its potential for sales growth
- assessing the overall impact on sales in the context of an individual business's product portfolio
- evaluating the usefulness of this concept as a means of assessing and influencing future sales growth.

Indicative content may include:

- showing understanding of the Boston Matrix
- understanding the meaning of the different categories of products
- analysing how the specific categories will have different implications for sales growth for a multi-product business; for example 'stars' and 'problem children' will benefit from being in a market with high growth
- analysing how strategies for growth can be adapted according to the individual products of the business; for example, 'cash cows' are likely to have high brand loyalty which can be used in promotions.

Accept all relevant arguments.

Evaluation

Assessing in broad terms; the impact of the Boston Matrix on sales growth and/or strategies for growth.
Evaluating the usefulness and limitations of the Boston Matrix as a means of assessing and influencing future sales growth.
Possibly evaluating the usefulness of the Boston Matrix in comparison to other factors that might influence sales growth; for example, using an understanding of the matrix in a recession is likely to yield lower growth than would be possible in a period of economic growth.

The assessment of evaluation will be based on the quality of arguments presented. The main focus of the question is the Boston Matrix and so answers that argue that other factors are more important ways of achieving sales growth, without considering the usefulness (or not) of the Boston Matrix, will not be answering the question set.

WHAT THE EXAMINERS SAID · comments from AQA's Reports on the Examination

Quoted word for word, in the same order as the questions. Not every question has a comment.

2. Q9 · AS Paper 1 · June 2022 · 1 mark · 3.3.1

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The majority of students opted for the correct responses to questions 2, 3 and 9, with the most common distractors proving to be response D for question 2 and response C for question 9, although there was no clear distractor for question 3.

Source: AQA Report on the Examination, AS Business 7131/1, June 2022.

3. Q10 · AS Paper 1 · June 2024 · 1 mark · 3.3.1

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 7 and 10 proved to be the most challenging. In the case of question 10, the correct response of C was selected by just under a third of the students, with response A proving to be the most common distractor (attracting just under two fifths of the students). Responses B and D also attracted a considerable number of students. It would appear as though the majority of students failed to fully understand the implications of the phrase 'there are no other changes.' In the case of question 7, the correct response of D was selected by about a quarter of the students, with response C proving to be the most common distractor (attracting just over a half of the students). It seems as though the majority of students did not appreciate that July's net cash flow of £22 000 included the outflow of £14 000.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

4. Q1.2 · A Level Paper 2 · June 2019 · 2 marks · 3.3.1

< MARK SCHEME

Students who scored well on this question were able to identify a clear reason why the value of sales could increase, often relating to price inelastic demand, with a good explanation of how this would then cause an increase in revenue to occur despite lower volumes.

Many students identified a reason but were unable to develop the link between increased value and decreased volume. Many relied on just rewording the question or simply stating that this would be so, without any supporting explanation. Students in future series need to appreciate that the key word explain requires more than merely giving a simple reason.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2019.

5. Q1 · AS Paper 2 · June 2019 · 3 marks · 3.3.1

< MARK SCHEME

It was anticipated that this question should have proved very accessible. Many students did demonstrate the basic numeracy skills needed to calculate the percentage change accurately, it was a common error to fail to use minus sign or state 'decrease'. There was, however a disappointingly high proportion of incorrect answers. Success in this subject involves students being confident with basic numeracy.

Source: AQA Report on the Examination, AS Business 7131/2, June 2019.

6. Q1 · AS Paper 2 · June 2023 · 3 marks · 3.3.1

< MARK SCHEME

Overall there were many full mark responses for this question. Students who had the necessary calculation skills needed for this question scored 3/3. However, some students calculated the global percentage change only and were awarded 1 mark, demonstrating that there were many students who had some understanding of what was required, but not complete knowledge of how to do the whole calculation. A number of students calculated the percentage amount for each year and scored 2 marks. Very few students did not attempt this question.

Source: AQA Report on the Examination, AS Business 7131/2, June 2023.

7. Q1 · AS Paper 2 · June 2025 · 3 marks · 3.3.1

< MARK SCHEME

Overall, there were a significant number of full mark responses for this question. There were few "no attempted" responses seen for this question; however, there was a relatively high percentage of zero marks awarded demonstrating that too many students were not able to calculate a percentage change which is a required quantitative skill specified in the AS Business specification.

Source: AQA Report on the Examination, AS Business 7131/2, June 2025.

8. Q1.1 · A Level Paper 2 · June 2017 · 3 marks · 3.3.1 < MARK SCHEME

Most students tackled this question well. The majority were able to offer a relevant formula at the beginning and then successfully completed the calculation.

Common mistakes were using incorrect years or incorrect data. The lack of showing workings in some cases inevitably lost some students marks if the answer given was wrong.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2017.

9. Q1.3 · A Level Paper 2 · June 2019 · 3 marks · 3.3.1 < MARK SCHEME

The majority of students did well and scored highly on this question. Those that knew the correct formulae were able to access the data easily and perform the correct processes without error. However, even some students who performed relatively well often failed to provide their answers as a percentage figure.

Students who stated the formula and laid out their working clearly were able to secure process marks even if mistakes were made. This particularly worked in the favour of those who calculated each company's market share individually and then added them up. This often resulted in errors from rounding but examiners could award marks if the process could be followed.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2019.

10. Q1.2 · A Level Paper 2 · June 2022 · 3 marks · 3.3.1 < MARK SCHEME

A significant number of students dealt with this question well. Noticeably, students laid out the workings clearly allowing examiners to be able to follow the thought process of the student. The majority seemed to find this an accessible calculation and very few failed to attempt it. A common error, as ever, was a failure to state the final answer as a percentage. Surprisingly few used this calculation as part of the analysis of data as an argument in Q1.5.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2022.

11. Q13 · AS Paper 1 · June 2023 · 4 marks · 3.3.1 < MARK SCHEME

This question required students to carry out a calculation of market share. It proved to be an accessible question for many students, based on a concept that seemed to be considerably more familiar than margin of safety (question 11). Again, for those with a sound knowledge and understanding, there was a straightforward route to four marks, with just over two fifths of students achieving full marks.

About one fifth of the students achieved just one mark by applying the 10% growth in sales to the business X scenario. Those who achieved two marks tended to do this and then repeat the process for firm Y. Three marks were achieved either by calculating the 2021 market size of £550m or through the application of the 'own figure rule'. Finally, just over one fifth of students either did not attempt this question or were awarded zero.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

12. Q17 · A Level Paper 1 · June 2018 · 4 marks · 3.3.1 < MARK SCHEME

This was a more straightforward question but many students confused market growth with market share, with many attempting to calculate the change in market share instead of the market growth. A significant number of students used the data to calculate the market size in 2017 but were then unable to complete the calculation required. Of concern was the relatively large proportion of students who calculated the change in market size correctly but then used the current size of the market as the denominator, rather than the original market size.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2018.

13. Q2 · A Level Paper 3 · June 2024 · 12 marks · 3.3.1 < MARK SCHEME

This question proved far more accessible to students. The vast majority answered the question by exploring why Sanjay's target was aspirational and the potential reasons why he may have set such an aspirational target. There were plenty of prompts in the case study to help support this. Other ways to address the question were also valid and included suggesting that 15% may have been a conservative target or suggested why an objective relating to market share made sense in a growing, competitive market, whilst others analysed why the target may have been set over a 3 year time period. Excellent responses were often those that combined more than one aspect of the case study within their analysis.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2024.

14. Q8 · AS Paper 2 · June 2023 · 20 marks · 3.3.1 < MARK SCHEME

This proved to be the most challenging question for students. Not many full mark responses were seen. Students seemed to focus on the external versus internal part of the question and used this to demonstrate their knowledge and understanding of everything they knew about internal and external influences. Few responses actually related the internal and external influences to the setting of marketing objectives. Overall it was felt that the knowledge and understanding of marketing objectives was not very strong. The 'all' element of the question also seemed to be ignored by many students in their responses. The 'all' element is often seen in the evaluation part of the response; this year, it did not feature as much as it has previously.

Source: AQA Report on the Examination, AS Business 7131/2, June 2023.

15. Q4 · AS Paper 1 · June 2017 · 1 mark · 3.3.2 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 4, 7 and 8 also proved to be challenging for a significant number of students with the most common distractors proving to be response B for question 4, response C for question 7 and response C for question 8 (presumably as a result of applying the gross profit margin to the dividends paid figure).

Source: AQA Report on the Examination, AS Business 7131/1, June 2017.

16. Q3 · AS Paper 1 · June 2018 · 1 mark · 3.3.2 < MARK SCHEME

This question tested income elasticity of demand through a diagram. Most students coped well but the popularity of option 4 suggests some confusion between income inelastic demand and negative income elasticity of demand.

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

17. Q4 · AS Paper 1 · June 2018 · 1 mark · 3.3.2 < MARK SCHEME

This question offered four unrelated statements, one of which was true. This proved to be the least challenging question on the paper, indicating that students have a good understanding of the concept of negative correlation.

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

18. Q9 · AS Paper 1 · June 2019 · 1 mark · 3.3.2 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. Questions 3, 4 and 9 proved to be the most straightforward, closely followed by questions 5 and 2.

Source: AQA Report on the Examination, AS Business 7131/1, June 2019.

20. Q4 · AS Paper 1 · June 2022 · 1 mark · 3.3.2 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 4 and 10 also proved to be challenging for a significant number of students. Question 4 saw students torn between the correct response of B and response A, with response D also attracting significant support. It would appear as though elasticity continues to be a tricky concept for a lot of students. Question 10 saw students torn between the correct response of A and response D, which suggests that a considerable number of students were lacking a clear understanding of the differences between hygiene factors and motivators in the context of Herzberg's 'two factor' theory, as has been the case in the past.

Source: AQA Report on the Examination, AS Business 7131/1, June 2022.

21. Q3 · AS Paper 1 · June 2024 · 1 mark · 3.3.2 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 3 and 6 also proved to be challenging for a significant number of students. Question 6 saw students torn between the correct response of D and response B (suggesting a lack of precise knowledge and understanding around the concept of market mapping). For question 3, the most common distractor proved to be response A with response C also attracting significant support. It would appear as though elasticity continues to be a tricky concept for a lot of students.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

22. Q10 · AS Paper 1 · June 2025 · 1 mark · 3.3.2 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 5, 9 and 10 proved to be the most straightforward and, in each case, the correct response was selected by over 80% of the students. This was closely followed by questions 1, 2, 4, 6 and 8 which saw over 70% of the students selecting the correct response.

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.

23. Q4 · A Level Paper 1 · June 2019 · 1 mark · 3.3.2 < MARK SCHEME

This question on price elasticity of demand and income elasticity of demand was the most challenging multiple choice question on the paper. Broadly similar numbers of students selected each of the four options. The correct answer was the one chosen by fewest students. The question exposed a lack of precision in many students' understanding of elasticity of demand.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2019.

24. Q14 · A Level Paper 1 · November 2020 · 1 mark · 3.3.2 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Q14 – Most students were able to show that the first statement on correlation was false. However, the logic in the 2nd statement was more complex and only about 60% of students recognised it as a true statement.

Source: AQA Report on the Examination, A Level Business 7132/1, November 2020.

25. Q15 · A Level Paper 1 · November 2020 · 1 mark · 3.3.2 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Q15 – Many students find elasticity of demand to be a difficult concept. The need to relate both income elasticity and price elasticity of demand to specific changes proved to be challenging.

Source: AQA Report on the Examination, A Level Business 7132/1, November 2020.

28. Q8 · A Level Paper 1 · June 2022 · 1 mark · 3.3.2 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

On average, students scored slightly higher marks on the multiple-choice questions than in the 2018 and 2019 series. Questions 1, 2, 3 and 13 were answered correctly by over 70% of students. The most challenging question (Q8) covered core topics, but required calculations that were presented in a slightly different way than usual. However, one distractor proved to be more popular than the correct answer and this occurred because students did not understand the meaning of price inelastic demand.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2022.

29. Q7 · A Level Paper 1 · June 2024 · 1 mark · 3.3.2 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The two most challenging questions were question 12 and question 7. Both of these questions were based on economic concepts - exchange rates and elasticity of demand. However, unlike previous years, all of the questions were correctly answered by at least one-third of the cohort of students.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2024.

30. Q1.1 · A Level Paper 2 · June 2019 · 2 marks · 3.3.2 < MARK SCHEME

Most students tackled this question well; there were very few students who made no attempt. Most students reached level 1 but, surprisingly, some explanations were disappointing. Competitors in the market or changing consumer tastes were popular factors, but frequently explanations were absent. More effecitve responses perhaps explained the arrival of a competitor's new product that gave them a competitive advantage and higher sales at the expense of Kellogg's. Many students identified more than one factor but did not explain any. A minority of answers explained the absence of a correlation in depth, but then did not identify or explain any other potential reason.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2019.

31. Q1.1 · A Level Paper 2 · June 2022 · 2 marks · 3.3.2 < MARK SCHEME

The majority of students seemed to have a clear understanding of the term, most focusing on using historic data to predict future trends. A few used a more mathematical approach of extending a trend line on a graph to predict future market positions. A minority had imprecise definitions or were confused with correlation.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2022.

32. Q11 · AS Paper 1 · June 2018 · 3 marks · 3.3.2 < MARK SCHEME

This question seemed to be an effective discriminator with around one third of the students achieving full marks by recognising that demand is price inelastic. They further suggested that, as a consequence, an increase in price should increase revenue and supporting this with an explanation as to why this would be the case. The weaker responses were able to score marks by simply stating that demand is price inelastic and, in some cases, going on to suggest a price rise but with no convincing explanation to support this assertion. A significant amount of responses were awarded zero, and such responses either took the view that demand was elastic and went on to suggest that a price cut would be appropriate in the circumstances, or just offered a generic and often vague definition of price elasticity of demand. The key to this question is recognition of the significance of the figure of -0.2 and effective responses were built on this. In other words, the key is a specific understanding of price inelasticity rather than a general understanding price elasticity of demand.

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

33. Q1.2 · A Level Paper 2 · June 2017 · 3 marks · 3.3.2 < MARK SCHEME

Some students had a very good understanding of this concept and used figures from the scenario to support their explanation. Often, however, students focussed on one aspect, for example, the 95% or the confidence intervals rather than addressing the whole question.

Some students thought 95% was the difference between the best and worst case when simple arithmetic would have shown this was wrong. Many students missed the fact that the figures were in £000m. Most students did not make explicit use of the figures in their explanation. Students that did not quite understand the concept often stated it was a forecast/prediction but then struggled to explain beyond this.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2017.

35. Q3 · AS Paper 2 · June 2023 · 4 marks · 3.3.2 < MARK SCHEME

Many students scored full marks on this question. Very few students made the error of stating that the figure was elastic so knowledge and understanding was good overall. Some students explained how a potential benefit to BB but the understanding of price elasticity was not precise. Overall, a well answered question.

Source: AQA Report on the Examination, AS Business 7131/2, June 2023.

36. Q14 · AS Paper 1 · June 2024 · 4 marks · 3.3.2 < MARK SCHEME

This question required students to explain the impact of increasing consumer incomes on sales revenue of a product when income elasticity is +4. As with question 12, the key to success here was to clearly link the impact on the revenue of the business to an income elasticity of +4. A number of responses struggled to achieve any marks for this question, with the weakest responses demonstrated a fundamental lack of knowledge and / or understanding of the key concept. Once again, it would appear as though elasticity continues to be a tricky gatekeeper for some students, and a number who struggled with this question appeared to confuse income elasticity with price elasticity of demand. More encouragingly, just over half of the responses achieved a mark in level 2 by offering a reasonable explanation around the notion that demand for the product would be likely to rise as would the revenue of the business, although such responses tended to fall short of recognising that the impact would be significant or substantial. The strongest responses clearly recognised the full significance of the figure of +4, and developed an argument to suggest that not only would the impact be a positive one, it would see sales revenue rise by a significantly greater proportion than the increase in incomes. The best responses were built around the notion of a luxury good and/or the suggestion that the increase in demand would be four times greater than the increase in incomes.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

37. Q3.1 · A Level Paper 2 · June 2023 · 4 marks · 3.3.2 < MARK SCHEME

This was a very accessible question with most students aware of issues with sampling and able to make the connection that the sample was biased/not representative. Students were able to apply directly to the context and used the information from the item to support reasons why this was the case.

Q3.1 · A Level Paper 2 · June 2023 (continued)

Weaker students still showed understanding of sampling but failed to address the context of this sample (AO2) and provided very generic responses gaining marks for AO1 only.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2023.

38. Q13 · AS Paper 1 · June 2017 · 5 marks · 3.3.2 < MARK SCHEME

The majority of responses achieved level 2 marks by demonstrating often impressive knowledge and understanding of primary market research and its value to a business. The weaker responses that failed to move beyond level 1 tended to be descriptive and do little more than show some general understanding of market research and / or its value to a business. Many such responses made mention of start-up businesses but did not focus the explanation accordingly.

The level 3 responses had a clear focus on the value of primary market research to a start-up business, and developed explanations that were firmly rooted in the context of the question (relating to issues such as the need to support a loan application with specific research or the lack of existing or 'back' data).

Source: AQA Report on the Examination, AS Business 7131/1, June 2017.

39. Q4 · AS Paper 2 · June 2022 · 9 marks · 3.3.2 < MARK SCHEME

This question was focused on analysing the impact of using primary market research to make a decision. Those students scoring level 3 marks did so by answering the demands of the question well, ie VeganLife Ltd using primary research to make a decision. Many students used the information from the case well to support their answers to this question. However, there were lots of students discussing the benefits and drawbacks of primary research in general, when these points were not then linked to VeganLife Ltd making a decision, the demands of the question were not met.

Source: AQA Report on the Examination, AS Business 7131/2, June 2022.

40. Q20 · A Level Paper 1 · June 2017 · 9 marks · 3.3.2 < MARK SCHEME

This question provided a wide range of responses. Some students showed excellent understanding and an ability to apply it to the context. These responses used the data to show that coffee sales would grow significantly in comparison to the increase in income, whilst tea sales would decline, but by a smaller margin than the increase in coffee sales. However, other answers showed confusion between price elasticity and income elasticity and between inelastic and elastic.

Good students were able to recognise that demand for tea would fall when income rose. The most common problem was a tendency for students to argue that an inelastic demand meant no change at all in the quantity demanded.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2017.

41. Q3.3 · A Level Paper 2 · November 2020 · 9 marks · 3.3.2 < MARK SCHEME

This has traditionally been a difficult topic for students. Therefore, it was pleasing that this question produced some excellent responses both in terms of understanding of price elasticity of demand and the context in which it is presented. Good answers clearly described the theory, the context and the following causal relationship. Inevitably, a minority of students still have have an unclear or limited understanding of this topic.

Source: AQA Report on the Examination, A Level Business 7132/2, November 2020.

43. Q1.4 · A Level Paper 2 · June 2022 · 9 marks · 3.3.2 < MARK SCHEME

Compared to previous papers, it was pleasing to see so many students understand the concept of price elasticity of demand well and apply it well to the question using the figures provided. The interpretation of the meaning of the magnitude of the numbers (-1.2 or -0.5) was done well by the better students.

There were a noticeable minority who attempted the answer but demonstrated little understanding of the concept – though very few didn't attempt it. The most common mistake was to analyse the price change necessary after misunderstanding the meaning of the numbers, in effect, mixing up price elastic and price inelastic demand or failing to target their developed line of reasoning on sales revenue as asked for.

A common misconception was that a product with price inelastic demand will see no change in demand when price rises – this is incorrect, unless demand is perfectly inelastic, which is not the case here.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2022.

44. Q19 · A Level Paper 1 · June 2023 · 9 marks · 3.3.2 < MARK SCHEME

This question discriminated well and provide a broad range of marks. Good answers showed an understanding of both price elasticity of demand and income elasticity of demand and an ability to use the data to analyse the impact of the data on sales revenue. In general, price elasticity of demand was understood better than income elasticity of demand. There was evidence of uncertainty relating to the terms 'elastic' and 'inelastic' and even where students provided logical conclusions, their arguments showed confusion between these two terms. Weaker answers tended to ignore the data in Table 2 and just commented on the impact of a price or income change in generic terms.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2023.

45. Q6 · AS Paper 2 · June 2019 · 16 marks · 3.3.2 < MARK SCHEME

There were too many disappointing responses to this question. Students frequently simply described the data and failed to link any analysis of data to 'predicting future sales'.

Some responses were one-sided failing to have a balancing argument. Students who did not really understand the data concentrated on criticising the value of the data, generally in generic terms. There were examples of top level responses that addressed the question fully, but fewer than would have been anticipated with most responses failing to get beyond level 2.

Source: AQA Report on the Examination, AS Business 7131/2, June 2019.

46. Q1.5 · A Level Paper 2 · June 2019 · 16 marks · 3.3.2 < MARK SCHEME

This question proved to be an effective discriminator. Effective answers were able to analyse the data and use the analysis to answer the question. By analysing the data presented, the more developed answers were able to give balance to their response highlighting how and why it would guarantee high sales, such as Kellogg's market power and its overall spending on advertising, and contrasting it with aspects such as sample size, type of research and falling forecasted volumes. Some raised the issue of being unable able to guarantee high sales because some vital information was missing, and were able to detail what the information might be. Key to accessing the higher levels, though, was returning to the question and making a final judgement around guaranteeing high sales based on the previous analysis.

It was surprisingly was that many students failed to analyse data or even quote data to support arguments, but simply described the various appendices. Many listed appendices and offered simple explanations, missing important lines of analysis by failing to be selective in what they discussed. Thus they presented a wealth of under-developed points. Similarly, the question was not how the data would help/not help achieve high sales, but whether it could guarantee it.

On the whole, most students were following good exam practice, producing a response with knowledge/understanding, range and some depth, balance, development and judgement. However, the main problems were the quality of what was written, a lack of focus on the question asked and the failure to select the most important data to consider, which prevented students from giving depth and accuracy to key points.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2019.

47. Q1.5 · A Level Paper 2 · June 2022 · 16 marks · 3.3.2 < MARK SCHEME

There were some very good answers that focused on the data selectively and often linked different elements of the data together. Some clearly understood how to approach the question, utilise and combine data to build a strong response and make clear judgements.

The best answers focused on the merits of launching a brand 'now', and good answers were evident that concluded either yes and no with supporting evidence/arguments.

Centres can do more to inform students to link data and use their own calculations, for example, information from question 1.2 to reinforce their analysis. A few students simply lifted and described data from appendices. Some lost focus on the question to state they should launch coffee instead, not really addressing the demands of the question.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2022.

48. Q22 · A Level Paper 1 · June 2025 · 25 marks · 3.3.2 < MARK SCHEME

Q22 · A Level Paper 1 · June 2025 (continued)

Most students provided sound reasoning on how market research could be used to increase a business's market share in a growing market. However, there were occasions where too much emphasis was placed on describing the different types of market research without linking this content to the question. In general, students tended to choose promotion as another function of the marketing department in order to provide a judgement on whether market research was the most important marketing activity in the context of this question. Relatively few answers included references to other examples of the 7 Ps. Some students lost focus by discussing non-marketing activities and their potential impact on market share. Better answers often incorporated the view that market research was important because it could be used to enhance the effectiveness of other marketing activities.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2025.

49. Q5 · AS Paper 1 · June 2022 · 1 mark · 3.3.3 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. Questions 5 and 6 proved to be the most straightforward, closely followed by questions 1 and 7.

Source: AQA Report on the Examination, AS Business 7131/1, June 2022.

50. Q6 · AS Paper 1 · June 2024 · 1 mark · 3.3.3 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 3 and 6 also proved to be challenging for a significant number of students. Question 6 saw students torn between the correct response of D and response B (suggesting a lack of precise knowledge and understanding around the concept of market mapping). For question 3, the most common distractor proved to be response A with response C also attracting significant support. It would appear as though elasticity continues to be a tricky concept for a lot of students.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

51. Q4 · AS Paper 1 · June 2025 · 1 mark · 3.3.3 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 5, 9 and 10 proved to be the most straightforward and, in each case, the correct response was selected by over 80% of the students. This was closely followed by questions 1, 2, 4, 6 and 8 which saw over 70% of the students selecting the correct response.

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.

52. Q13 · A Level Paper 1 · June 2022 · 1 mark · 3.3.3 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

On average, students scored slightly higher marks on the multiple-choice questions than in the 2018 and 2019 series. Questions 1, 2, 3 and 13 were answered correctly by over 70% of students. The most challenging question (Q8) covered core topics, but required calculations that were presented in a slightly different way than usual. However, one distractor proved to be more popular than the correct answer and this occurred because students did not understand the meaning of price inelastic demand.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2022.

53. Q3 · AS Paper 2 · June 2022 · 4 marks · 3.3.3 < MARK SCHEME

Responses to this question covered the full range of marks fairly evenly, with few students gaining zero or one mark. A common incorrect answer was to discuss the negatives of operating in a niche market generally. Too many students missed the word 'growing' and so did not answer correctly.

Source: AQA Report on the Examination, AS Business 7131/2, June 2022.

54. Q1.3 · A Level Paper 2 · June 2022 · 4 marks · 3.3.3 < MARK SCHEME

There was a good understanding of market segmentation and most students expressed this clearly and succinctly. Many used data to support their answer and to provide context. There were still a number of responses that failed to use data from appendix D, even though this was highlighted in the question. Weaker answers then failed to explain how this would benefit a business.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2022.

55. Q15 · AS Paper 1 · June 2023 · 6 marks · 3.3.3 < MARK SCHEME

This question proved accessible and differentiated effectively with a balanced spread of marks resulting. The demands of the question required students to analyse how the market map presented by the question paper might influence decisions around the positioning of the new product created by the business in question.

The overwhelming majority of students were able to demonstrate sound knowledge and understanding of the basic concept of a market map although some offered unnecessarily lengthy definitions and did little more, and such responses tended to remain in level 1.

Encouragingly, around three quarters of the responses moved beyond this into the higher levels with about one third reaching level 3. The most effective responses were concise and precise in demonstrating relevant knowledge and understanding, and moved quickly into developing a plausible line of reasoning as to how this market map might affect the positioning of the new product. Such responses were not overly lengthy but just demonstrated a disciplined and clear focus on the demands of the question. In many respects, the most important word in the question proved to be 'this'.

Weaker responses either tended to be rooted in a more general consideration of the possible value of market maps or were largely descriptive. Some drifted into some marginal issues such as a consideration of what might be an appropriate marketing mix for the launch of the new product for this business. Others simply suggested positioning in either or both of the empty quadrants without any supporting analysis.

This question provided a very clear demonstration of the benefits of a careful reading of the question and of unpicking the key demands, and of building a response accordingly. Those students who did this were able to find a relatively straightforward route to the highest level.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

56. Q18 · A Level Paper 1 · June 2023 · 9 marks · 3.3.3 < MARK SCHEME

This question proved to be the most accessible of the 9 mark questions, with relatively few students not reaching level 2 or 3. Most students showed a good understanding of 'niche market' and used the context of a large business effectively. The main discriminating factors tended to be either a failure to incorporate the significance of the size of the business into the logic of the answer or just providing a descriptive focus on the nature of niche markets.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2023.

57. Q5 · AS Paper 2 · June 2017 · 16 marks · 3.3.3 < MARK SCHEME

This question worked well and proved very accessible; there were clear opportunities for development, balance and judgement. Stronger responses showed a clear, precise understanding of a niche market in the context of the case and weighed up the arguments for G-Free Ltd only supplying this niche being a risky decision.

Relatively weaker responses seemed unclear on what a niche market was and did not address the issue of whether it was a 'risky decision'.

Source: AQA Report on the Examination, AS Business 7131/2, June 2017.

58. Q16.2 · AS Paper 1 · June 2025 · 16 marks · 3.3.3 < MARK SCHEME

The vast majority of students were able to provide reasonable responses to this question with about a third of the responses moving into the two highest levels. The lower-level responses tended to be highly descriptive in nature with a tendency to simply recycle the material from the case study and were generally lacking in precision and substance.

The stimulus material presented a number of hooks offering opportunities to show both range and balance. The best responses used these hooks in a thoughtfully selective manner, while others focused on just one or two of the hooks, and such responses were, as a consequence, limited in range and balance. A significant number of students appeared to struggle to make effective use of the information relating to income elasticity of demand.

Q16.2 · AS Paper 1 · June 2025 (continued)

Many of the higher-level responses tended to go very much along the lines of 'on the one hand' and 'on the other' or 'I think it would' and 'I think it would not', with an attempt at a final decision that generally seemed to connect logically to the preceding arguments (but not always). This connectivity or lack thereof seemed to be a key difference between reaching level 4 or remaining in level 3. The typical level 3 approaches tended to achieve both range and balance but were not always fully focused on the essential challenge of the question in terms of whether this business would be well advised to enter the mass market with low price bicycles in addition to its current target market. As ever, the thoughtful selection of arguments seemed to be another key to reaching level 4, and the most effective responses tended to pick up on the implications of the data and information For example, they referred to the income elasticity of demand, the expectations around falling incomes, and the expectations of growth in the low price mass market along with the apparent relatively low level of capacity utilisation in the current scenario. Such responses built arguments suggesting that continued reliance on just the existing niche market-based business model was looking increasingly untenable given the expected imminent changes in the competitive environment.

Successful responses also considered the implications of a considerably lower average selling price in the context of the significantly greater reach and the market share of the country's largest cycling retailer, along with the fact that Bayes would keep 50% of the selling price compared with the present 30% kept by the network of thirty independent bike shops. The most impressive responses tended to focus on the potential impact of the decision on Ondata's brand image as an 'it depends factor' .

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.

59. Q2.4 · A Level Paper 2 · June 2025 · 16 marks · 3.3.3 < MARK SCHEME

This question was well answered with many students able to produce a well-developed, detailed, and balanced response that led to an effective conclusion. Most students were able to correctly apply the case and other wider contexts to help them achieve the higher levels of response marks. Many were able to suggest other types of segmentation, such as geographical or demographic, and explain why these were more suitable to some businesses than income segmentation. Some students were able to conclude that even if you segment in a different way you may have income as a factor as well e.g. clothes aimed at male / female segments but also income – a multi segment approach. A wide range of supporting examples were used such as watches, supermarkets, cars, toys, soft drinks, hiking gear, the NHS and even plumbers.

Less successful answers still managed to have some knowledge of target marketing and segmenting by income but often focused solely on targeting higher income groups or focused only on income segmentation.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2025.

60. Q1 · AS Paper 1 · June 2018 · 1 mark · 3.3.4 < MARK SCHEME

This was an accessible first question testing a popular concept in a straightforward manner. 80% knew that a 'dog' was a product with a low market share in a low growth market. The chosen distractors suggested that, in the context of the Boston Matrix, knowledge of 'market share' is more secure than 'market growth'.

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

61. Q6 · AS Paper 1 · June 2019 · 1 mark · 3.3.4 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 1, 6 and 10 also proved to be challenging for a significant number of students with the most common distractors proving to be response A for question 1, response C for question 10 and response D for question 6.

The responses to question 6 suggested imprecise understanding of the 'process' element of the seven Ps of the marketing mix on the part of a significant number of students.

Source: AQA Report on the Examination, AS Business 7131/1, June 2019.

62. Q9 · AS Paper 1 · June 2023 · 1 mark · 3.3.4 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. Questions 3 and 9 proved to be the most straightforward, followed by questions 4, 8 and 10.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

64. Q2 · A Level Paper 1 · June 2019 · 1 mark · 3.3.4 < MARK SCHEME

This question on penetration policy proved to be more testing, with just over 50% of students providing the correct response.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2019.

65. Q2 · A Level Paper 1 · November 2020 · 1 mark · 3.3.4 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Q2 - This question tested a very well-known concept, but in a way that required careful thought and reasoning by students. Not unexpectedly, it proved to be the most challenging question in this section.

Source: AQA Report on the Examination, A Level Business 7132/1, November 2020.

68. Q3 · AS Paper 2 · June 2018 · 4 marks · 3.3.4 < MARK SCHEME

This question related to the promotional mix and revealed a gap in the knowledge of many students taking the paper. A surprising number of students thought that the marketing mix and the promotional mix are the same. It was common for weaker responses to make a relevant point or state a factor, but students needed to address all the elements of the question. Better responses used the context effectively and linked their explanations to increasing demand for the business's products.

Source: AQA Report on the Examination, AS Business 7131/2, June 2018.

69. Q3 · AS Paper 2 · June 2024 · 4 marks · 3.3.4 < MARK SCHEME

This question required students to explain one impact a change in target market would have on the promotional mix. The key to being successful in this question was to clearly explain an impact on the promotional mix of the proposed change. This question proved to be a challenge to the vast majority of the students, with only a relatively small number of responses reaching level 3.

It was evident that many students did not have the knowledge or understanding of what a promotional mix is. Many students discussed a possible impact on the marketing mix and/or tended to focus on the cost implication of making the proposed change. Very few students then went on to discuss how this related and impacted the promotional mix. The majority of the responses to this question were awarded a mark in level 2. The significant number of responses that remained in level 1 simply stated an impact that did not fit with the context or without any attempt at explanation, or to demonstrate perfectly reasonable knowledge and understanding of promotional mix, with no explanation or use of the context.

Source: AQA Report on the Examination, AS Business 7131/2, June 2024.

70. Q17.1 · AS Paper 1 · June 2018 · 9 marks · 3.3.4 < MARK SCHEME

The key to success in this question proved to be the way in which students interpreted the marketing mix. Those students who understood the marketing mix in terms of the extended version (the 7Ps) were generally able to develop more convincing responses than those who drew on the traditional 4Ps. The most effective responses used two of the additional three elements of people, physical environment and process and clearly explained how these would differ between the retail outlets and the online store and, in so doing, made good use of the context.

Level 2 responses tended to focus on just one element (a reminder, perhaps, of the need to read the question carefully) or failed to really explain how the chosen elements of the marketing mix differed between online and in store, and thus did not use the context effectively. A significant number of responses made reasonable use of price and promotion as elements of the marketing mix.

The weakest responses did little more than define the marketing mix and / or identify some of the elements. A small number did not refer to the marketing mix at all and offered highly generic answers. A small but significant number did not attempt this question.

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

72. Q4 · AS Paper 2 · June 2025 · 9 marks · 3.3.4 < MARK SCHEME

Marks awarded on this question were well spread. Those students scoring level 3 marks on this question did so by clearly demonstrating their knowledge and understanding of the different elements of the Boston Matrix and how the products mentioned in the case study fit within the Boston Matrix. The top marks went to those students who explained the consequences with good application used within their responses.

Source: AQA Report on the Examination, AS Business 7131/2, June 2025.

73. Q3.2 · A Level Paper 2 · June 2017 · 9 marks · 3.3.4 < MARK SCHEME

This question was done very well by a large number of students. Students who understood the Boston Matrix where able to identify positioning of products and come up with actions which were related back to financial performance. Most understood the word “action” and could make successful suggestions. Better responses recognised the interaction between the products in that milking the Cash Cows and/or using the money saved on the Dog product will fund investment on Question Marks or fund development of new products to replace those reaching the end of their life cycle. Very good students emphasised the potential benefit of having a balanced portfolio that will protect sales and profits in the long term.

Weaker responses simply explained the data rather than analysing how to improve it. A number of students incorrectly identified where products were placed and so developed incorrect lines of reasoning. Some answers lacked the final link to financial performance, lacking focus on the overall question which was a shame for some students who had shown good development to that point.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2017.

74. Q1 · A Level Paper 3 · June 2018 · 12 marks · 3.3.4 < MARK SCHEME

This question proved highly accessible and offered plenty of opportunity to use context in developing arguments. Weaker responses failed to recognise the need to develop in context, or alternatively explored how to build a strong brand – losing focus on the question set. The best answers had clearly considered the context to recognise which benefits of a strong brand would be easiest to analyse in this case, such as standing out from rivals in this competitive market or charging a premium price to boost profit margins – an issue that underpinned the case study.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2018.

76. Q1 · A Level Paper 3 · June 2022 · 12 marks · 3.3.4 < MARK SCHEME

Question 1 elicited, from weaker responses, a tendency to describe promotion rather than pick factors affecting decisions relating to promotion and then build a logical link from the factor showing how that may have affected SSN Ltd’s decisions. One factor well analysed in context was sufficient to move a response to the top level of the mark scheme, although the question stated factors, quality will always be rewarded over quantity. This question saw some excellent contextualisation of answers with the best responses showing a real grasp of a business to business scenario with a target market of a small number of very important potential customers.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2022.

77. Q17.2 · AS Paper 1 · June 2019 · 16 marks · 3.3.4 < MARK SCHEME

Many students were able to provide reasonable responses to this question and a significant number moved into the higher levels. The weakest responses tended to do little more than offer a limited amount of knowledge which, on a number of occasions, included definitions and unsupported assertions. Others tended to identify a number of factors that might determine her decision with little or no explanation. A number of students appeared to simply work their way through the case study picking out all of the factors that might have a bearing on her decision, and, consequently, did little more than recycle the case study. Others seemed to assume that Charlotte was an employee of Doyles which led to some rather confused responses. The weakest responses also tended to either ignore the financial data in the case or do little more than describe it with no real attempt to manipulate the data or to carry out any valid calculations

A significant number of students were evangelical about the power of selling online, appearing to take the view that this would inevitably result in global reach and unlimited success and profit for Charlotte. Such responses also tended to assume that celebrity endorsement would follow automatically.

Other responses contained more developed and applied explanations but were rather one-sided and thus lacked balance, and a significant number of such responses did not offer any real counter arguments. This inevitably led to judgements that were partial at best.

Most students did identify the issues involved in making the choice between renewing the contract or selling online. However, relatively few built effectively on this to offer a sound and well supported overall judgement as to the best course of action, and a significant number simply presented the pros and cons of each option without really coming to any clear conclusion. Such responses indicated a lack of planning and thinking.. Students should ensure that their overall judgement is logical and is based on the balance of the arguments provided, and they need to apportion their thinking and actual writing time appropriately. Evaluative questions such as this one tend to require a well justified decision / judgement, not just an outline of the case for and against. Students need to think carefully about the demands of the question, to achieve the highest levels

Q17.2 · AS Paper 1 · June 2019 (continued)

That said, there were some impressive responses that were built on valid calculations and other well selected and pertinent factors leading to logical and well supported judgments. The most effective responses tended to start by carrying out two valid calculations (£800 and £1152) around the net profit margin and making a logical judgement based on this. They then went on to consider some other valid issues focusing on the degree of risk and uncertainty, and Charlotte's own motivation, possible desire for greater artistic freedom and skill set / experience. It was clearly evident that the most successful students had unpicked the demands of the question, paused for thought and undertaken some planning before ever committing a word to paper. Such students identified the 'it depends' factors and used them to shape and frame their argument rather than 'bolt' them on at the end. They took a clear view, and there was evidence of thinking and planning, and of having a sense of direction from the outset, and this seems to a key to excellent answers in that they are written with a clear intent.

Source: AQA Report on the Examination, AS Business 7131/1, June 2019.

79. Q16.2 · AS Paper 1 · June 2022 · 16 marks · 3.3.4 < MARK SCHEME

The vast majority of students were able to provide reasonable responses to this question with about a quarter of the responses moving into the highest levels. The weakest responses tended to be highly descriptive in nature and were generally lacking in precision and substance, and a number appeared to have no knowledge/understanding of the Boston Matrix.

Again, the stimulus material presented a number of hooks offering opportunities to show both range and balance, and the best responses used them in a thoughtfully selective manner. However, some responses attempted to include every bit of context and did little more than recycle the case, while others focused on just one or two of the hooks (such as 'total sales in the sports shoe market targeted by Rockall were double jewellery market sales last year', or 'many customers in the sports shoe market are in the 16-30 age range), and such responses were, as a consequence, very limited in either depth or range and balance. A significant number of students appeared to struggle to make any meaningful and valid use of the Boston Matrix.

The stronger responses tended to go very much along the lines of 'on one hand' and 'on the other', with an attempt at a final decision that did not always seem to connect logically to the preceding arguments. Such approaches tended to achieve both range and balance but were not always fully focused on the essential challenge of the question in terms of whether this business (Rockall) would be better advised to increase investment in its sports shoe range or its jewellery range. As in the past, it is worth thinking on the potential limitations of the deployment of pre-determined structures and mechanical approaches to answer evaluative questions such as this. These often appeared to act as something of a constraint that ultimately prevented a response from fully answering the question set. For example, there was a tendency for some students to start writing in terms of 'on the one hand' and 'on the other hand', and devote most of their time to arguing for an against increased investment in the sports shoe range and the jewellery range, and then have very little to offer in terms of meaningful judgement. In such cases, it was far from clear what the

Source: AQA Report on the Examination, AS Business 7131/1, June 2022.

80. Q16.2 · AS Paper 1 · June 2023 · 16 marks · 3.3.4 < MARK SCHEME

The vast majority of students were able to provide reasonable responses to this question with about a third of the responses moving into the two highest levels. The weakest responses tended to be highly descriptive in nature with a tendency to simply recycle the material from the case study, and were generally lacking in precision and substance.

Again, the stimulus material presented a number of hooks offering opportunities to show both range and balance, and the best responses used them in a thoughtfully selective manner. However, some responses attempted to include every bit of context and did little more than recycle the case, while others focused on just one or two of the hooks, and such responses were, as a consequence, very limited in either depth or range and balance. A significant number of students appeared to struggle to make any meaningful and valid use of the information relating to price elasticity of demand.

The stronger responses tended to go very much along the lines of 'on the one hand' and 'on the other' or 'I think he should' and 'I think he should not', with an attempt at a final decision that generally seemed to connect logically to the preceding arguments (but not always). Such approaches tended to achieve both range and balance but were not always fully focused on the essential challenge of the question in terms of whether this business would be well advised to remove the price match promise and focus more on the free support service instead. As in the past, it is worth thinking on the potential limitations of the deployment of pre-determined structures and mechanical approaches to answer evaluative questions such as this. These often appeared to act as something of a constraint that ultimately prevented a response from fully answering the question set. For example, there was a tendency for some students to start writing in terms of 'on the one hand' and 'on the other hand', and devote most of their time to arguing for and against removing the price match promise and increasing the focus on the free support service, and then have very little to offer in terms of meaningful judgement. In such cases, it was far from clear what the student actually thought. The higher tariff, evaluative questions such as this are framed to demand a judgement / decision and the student must focus on this essential challenge in the question and not leave the reader wondering as to what view the student is taking.

Q16.2 · AS Paper 1 · June 2023 (continued)

The most impressive responses were built on balanced and well developed arguments that led logically to a well-supported overall decision with a clear focus on the demands of the question. A striking feature of such responses was the clarity of the students' view, as well as the coherent structure of the discussion and the thoughtful selection of the arguments. This suggests that the better answers were planned and had a clear sense of the demands of the question and what they wanted to argue from the start. In this context, the thoughtful selection of arguments seemed to be the key to reaching level 4, and the strongest responses tended to pick up on the implications of

the data around price elasticity of demand and demographics, and built arguments suggesting that the price match promise was looking increasingly obsolete in the current competitive environment and that BZT's target audience would be likely to be much more interested in the free support service.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

81. Q7 · AS Paper 2 · June 2025 · 16 marks · 3.3.4 < MARK SCHEME

There were many good responses to this question that showed good analysis, good use of the case study and good judgement in their decision making. The students scoring in the top levels for this question often did so by laying out their argument for an option early on in their response and then ensured that they showed balance in their analysis of the two options. The strongest students often discussed price elasticity of demand confidently and applied this concept very well to their analysis. Overall, this was a very well answered question.

Source: AQA Report on the Examination, AS Business 7131/2, June 2025.

83. Q4 · A Level Paper 3 · June 2023 · 16 marks · 3.3.4 < MARK SCHEME

General feedback

Another question requiring the analysis of numerate data provided within an appendix. For this question, students were required to use both the appendix data and other information – either from the body of the case study text or other appendices. Most students showed an ability to interpret the charts shown in the appendix, able to recognise the contrasts between customers and followers. Better arguments managed to pull together the information from both graphs and link in other information from the case. Some even managed to back up arguments about high priced surfboards by calculating the selling price per board combining information from Appendix A and Appendix B. Most of the evidence seemed to lead to a conclusion suggesting that arguments against were stronger than arguments for. When building their judgements students should try to ensure that they assess the quality of their own arguments before deciding on their judgement – a response with one weak argument and one much stronger argument should come to a conclusion that ties in with that stronger argument. This was not always the case on this question.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2023.

84. Q1.4 · A Level Paper 2 · June 2024 · 16 marks · 3.3.4 < MARK SCHEME

This question demonstrated a mixture of responses with many students being able to produce a welldeveloped, detailed, and balanced response that enabled them to reach a reasoned conclusion (AO4). Higher scoring responses were able to link the data together in their arguments to show depth and detail in their chains of analysis. Data selection was important here and those students who either did not plan or did not think carefully enough about their use of data in relation to the question struggled. Many students failed to focus their evaluation on whether or not the campaign was a good idea, instead just concentrating on arguments for and against. A key limiting factor here were those students who were only able to provide a one-sided argument. Not many students noted that the data was out of date or questioned the sample sizes and some misinterpreted the data as the campaign had already taken place. It is key here that students learn to examine the data carefully and critically.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2024.

85. Q8 · AS Paper 2 · June 2019 · 20 marks · 3.3.4 < MARK SCHEME

The best responses focused their answers on 'businesses generally' and did not restrict their responses to the business in the case study. This provided an opportunity for a wide range of examples to illustrate arguments. The issue of e-commerce and retail has been very much in the news and the best students made effective use of topical examples. This question proved very accessible, but lower level responses tended to be very generic.

Students should be encouraged to use the specific phrasing of the question as an aid to them structuring their response and use the wording as stimulus to their evaluation. For example, 'operating only online' in the question was used effectively by some of the best responses to cause them to disagree and suggest that many retailers would be successful in doing both. Such an approach helps improve the focus of responses and can be improved with a careful reading and appreciation of the wording of the question. Once more planning played a vital role in developing good quality responses.

Source: AQA Report on the Examination, AS Business 7131/2, June 2019.

86. Q6 · A Level Paper 3 · June 2017 · 24 marks · 3.3.4 < MARK SCHEME

The best students managed to get to grips with the demands of the question well, weighing up the influence of the target market on the marketing mix with other possible influences, such as competitors' actions. What marked out the best responses was a willingness to contrast KMH's position with that of one or more other contexts which were used to support counter arguments. This allowed effective judgements to be made and justified. Good judgement weighed up the relative importance of the target market compared to other influences by highlighting how this might vary according to the circumstances of a business.

Weaker students showed difficulty understanding influences on the marketing mix, frequently analysing just the target market, or, in a minority of cases, drifting away from the question to discuss the most important element of the marketing mix.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2017.

87. Q21 · A Level Paper 1 · June 2019 · 25 marks · 3.3.4 < MARK SCHEME

Student performance on this question proved to be a very close match with Question 23 although it was more of a challenge than Question 22, with fewer level 4 and level 5 responses.

There were some very effective responses that focused on the question and argued, often using real-life examples, that the growth of online sales has impacted on 'place' as an element of the marketing mix. Successful responses then created counter arguments about the transparency of pricing online and the use of social media for promotion. However, it was not uncommon to see answers that provided analysis that used the online context very effectively but then provided evaluation about the relative importance of the 7 Ps in a very generic sense, with no use of context. Students who were able to relate their theoretical understanding to real-life situations tended to do well on this question. Less effective responses tended to see place just as bricks and mortar.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2019.

88. Q22 · A Level Paper 1 · June 2022 · 25 marks · 3.3.4 < MARK SCHEME

Most students showed a sound understanding of the Boston Matrix, although a few students confused it with Ansoff's Matrix. A number of students seemed to imply that one dimension of the matrix was the sales growth of the individual product rather than market growth.

Explanations of how to use the Boston Matrix to develop sales growth were variable. Better responses tended to either: identify each of the four quadrants of the matrix and analyse how they each impacted on potential growth: or, focused on linking quadrants, such as showing how profits from cash cows might assist sales growth for those products in growing markets.

Significantly, those students who tended to use a specific multi-product business to support their logic tended to produce the higher quality answers.

Some students identified one argument relating to the Boston Matrix and then moved on to a much more detailed response of how a variety of other factors might lead to sales growth. Fundamentally, this question is not about "what factors can affect sales growth for a business". It is about how the Boston Matrix can be used to achieve sales growth. The study of other factors mainly plays a role in making a judgement on the extent to which the Boston Matrix is a key factor.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2022.