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Unit 1 Business and Markets

Mark scheme

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Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study business in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about business. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
AO2	Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
AO3	Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

The marking grids

The specification has generic marking grids for each Assessment Objective that is customised with indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

Within each Assessment Objective there are three or four broad levels representing different levels of achievement. Do not think of levels as equivalent to grade boundaries.

The indicative content gives examples of the kind of things students might do that would exemplify the level. They are neither exhaustive nor required – they are simply indicative of what would appear at this level. You will find that they sometimes indicate areas of content that can be handled with increasing sophistication and subtlety. You will also find statements which only characterise work at the bottom or top of the range.

Depending on the part of the examination, the levels will have different mark ranges assigned to them. This will reflect the different weighting of Assessment Objectives in particular tasks and across the examination as a whole. You may be required to give different marks to bands for different Assessment Objectives.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level for an individual Assessment Objective. The number of marks per level will vary depending upon the number of marks allocated to the various Assessment Objectives covered by a particular question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it (as instructed below) to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as in the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level; eg if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust. If there is a lot of indicative content fully identifiable in the work you need to give the highest mark in the level. If only some is identifiable or it is only partially fulfilled, then give the lower mark.

The exemplar materials used during standardisation will also help. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the lead examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the lead examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

In addition to the generic descriptors (presented in bold text), paper-specific indicative descriptors (presented in plain text) are provided as a guide for examiners. These are not intended to be exhaustive and you must credit other valid points.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in question 12, 13 and 14 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

You should write a summative comment at the end for each Assessment Objective and indicate the marks for each Assessment Objective being tested at the end of the answer in the margin in sequence. It is vital that the way you arrive at a mark should be recorded on the script. This will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A **Total for this section: 17 marks**

Question	Part	Marking guidance	Total marks
1		What will a business in the **tertiary** sector be most likely to focus on? Answer: D (Selling a product to another business or the end consumer)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
2		Which of the following is most likely to be an objective of a **marketing** department? Answer: C (Increase customer retention)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
3		A business sells a product with a price elasticity of demand of –0.8 in 2023. Which of the following is **true**? Answer: C (Demand is price inelastic in 2023)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
4		**Table 1** shows data from a business and its market in 2021. In 2022: • units sold increased by 11% • selling price remained the same • market size decreased by 5%. Calculate the sales value for the business in 2022. Units sold: 320 000 Selling price: $15 Market size: $9 250 000 320 000 × 1.11 = 355,200 (1 mark) 355 200 × $15 = $5,328,000 (1 mark) If only the answer $5,328,000 or 5,328,000 is written (2 marks)	2 AO1 = 1 AO2 = 1

Question	Part	Marking guidance	Total marks
5		Explain **one** benefit of increased market capitalisation for a software development company. **Indicative content** • Market capitalisation is current share price × no of shares in issue. • Increased market capitalisation demonstrates a higher value of the business, which could be useful if issuing more shares (it could sell them for a higher price). • A software company may need to issue further shares to hire the best development staff to keep ahead of the competition. • A higher market capitalisation (and business value) may improve the reputation of the software company, which could help them to attract the best staff. Competition amongst software companies to attract staff can be intense as software developers are in short supply. • Software companies usually need to invest heavily in innovation/staffing/market research – this additional finance could assist with this and keep it ahead of the competition. • Increased market capitalisation should make it easier to borrow or arrange trade credit if required. Credit valid alternative content. **Good response – 3 marks** Links the benefit of increased market capitalisation to a software company. For example, candidate is likely to reference the greater ability to raise future capital, which a software company will need to be able to reinvest into innovation and technology advancements in the future, such as improved data security to prevent leaks – crucial as this is a fast-moving market with high levels of competition. **Reasonable response – 2 marks** Candidate is likely to identify a benefit of a higher market capitalisation in the context of a software company but fail to explain why it will benefit it, for example does not link to benefits of higher capital investment in the future (e.g. better software leading to better reputation). **Limited response – 1 mark** Is likely to show knowledge of market capitalisation, for example gives the formula or a definition, but fails to link to a software company.	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
6		**Figure 1** shows a Boston Matrix for a business. The circles represent the products that it sells. Explain **one** action this business could take to improve its performance in the long term. **Indicative content** • The Boston Matrix is a tool to help with product portfolio analysis. • This business has a large number of dogs – getting rid of these could improve its cash flow as it traditionally does not generate a large amount of revenue but still requires investment. • There is an opportunity to turn the two problem children into stars, perhaps by understanding why it has a small percentage of a fast-growing market (stars generate larger amounts of cash inflows). Credit valid alternative content. **Good response – 3 marks** Is likely to explain one action this business could take and links it to its long-term performance, for example the large number of dogs would generate low inflows but may result in high outflows. Getting rid of a dog may help improve the cash flow. **Reasonable response – 2 marks** Shows knowledge of the Boston Matrix and will discuss the data in Figure 1 but fails to link to improving its long term performance. **Limited response – 1 mark** Is likely to demonstrate knowledge of the Boston Matrix, for example a definition or explanation of one or more of the sections, but does not link to Figure 1.	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
7		Explain **one** difficulty of data mining to a global business. **Indicative content** • Data mining means sifting through 'big data' to identify trends and patterns. • A global business could have a large amount of data to mine, taking time and therefore an opportunity cost. • Global businesses may find it difficult to identify clear trends and patterns due to different cultures/trends in different countries. • It could be expensive due to the number of countries across the world it needs to gather data from. Credit valid alternative content. **Good response – 3 marks** Candidate is like to fully explain a difficulty of data mining to a global business, with clear reference to why this would cause it a problem, for example linking to higher costs or time demands. **Reasonable response – 2 marks** Is likely to state a difficulty of data mining and links to a global business, for example lots of data from different countries to analyse, but fails to explain why this would cause the business a difficulty (eg does not link to opportunity cost). **Limited response – 1 mark** Response is likely to shows knowledge of data mining, for example a definition, but fails to link to a global business.	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
8		**Figure 2** shows a decision tree. The net gain for **Plan A** is $0.22m. Using the decision tree: • calculate the net gain for **Plan B** • based on your calculation, state which option the business should take. **Indicative content** Plan B EV = $1.35m (1 mark) NG = $0.75m (1 mark) Plan B should be selected (1 mark) Credit valid alternative content. **Good response – 3 marks** Correctly calculates the net gain for Plan B and states that Plan B should be chosen. **Reasonable response – 2 marks** Correctly calculates the net gain for Plan B but fails to suggest that Plan B should be selected (or incorrectly states that Plan A should be suggested). Correctly calculates the estimated value for Plan B but fails to remove the cost to achieve the net gain. Makes an error in calculation which leads the net gain for Plan B to be lower than that of Plan A ($0.22m), but candidate correctly suggests Plan A based on their calculation (OFR). **Limited response – 1 mark** Demonstrates knowledge of the process but an error is made in calculation.	**3** **AO1 = 1** **AO2 = 2**

Section B **Total for this section: 27 marks**

Question	Part	Marking guidance	Total marks
9		Analyse how **two** elements of the marketing mix may differ when selling business-to-business (B2B) compared to business-to-consumer (B2C).	**9** **AO1 = 3** **AO2 = 3** **AO3 = 3**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	7 – 9	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	4 – 6	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

Indicative content

Business-to-business may demonstrate:
- price would normally be lower due to buying in bulk which is more common for trade purchases
- promotion is likely to be via email/direct marketing using a database
- place is more likely to be online/large warehouses out of town
- packaging will usually be less important for business-to-business as cost tends to be more important than image.

Business-to-consumer may demonstrate:
- greater use of psychological pricing as this is more likely to impact consumers
- promotion is more likely to use a wider range of media, such as TV, leaflets. It may or may not be targeted at individuals
- place is more likely to incorporate multi-channel distribution, accessible stores (such as in city centres due to higher footfall)
- packaging is usually considered more important to attract customers to the product/ensure it stands out on the shelf.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
10		A small business is launching a new product. Analyse **one** benefit and **one** problem of it producing a sales forecast.	**9** **AO1 = 3** **AO2 = 3** **AO3 = 3**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	**7 – 9**	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

Indicative content

- A sales forecast attempts to predict the number of sales a business is likely to achieve.
- Advantages of producing a sales forecast may include:
  - it may allow the business to order appropriate amounts of raw materials, avoiding waste and unnecessary additional expense with wastage – crucial for a small business which may be focusing on survival
  - sales forecasting can help the business decide how much of the product to produce, avoiding waste (particularly for perishable products)
  - sales forecasting can ensure the business does not experience 'stock out,' which could be damaging to their reputation, especially as a small business
  - it could be useful when applying for funding from a bank or other financial institute, which is particularly important for a small business with fewer cash reserves.

- Problems of producing a sales forecast may include:
  - an opportunity cost may exist – whilst it is producing a sales forecast, it is giving up time/other resources that could be used elsewhere. Small businesses tend to have limited resources (staff, finance) and therefore may not be able to complete a sales forecast to a good standard, meaning it may not be worth doing
  - as it is a new product with no historical sales, additional market research may need to be completed to gauge demand, which a small business may not have the time or resources to complete
  - a new product will have no historical data to use to produce the sales forecast, meaning it could be inaccurate and therefore a waste of time/other resources
  - sales forecasting in a dynamic market may be unreliable due to rapidly changing conditions.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
11		Analyse how a gym could use digital technology to improve its relationship marketing.	**9** **AO1 = 3** **AO2 = 3** **AO3 = 3**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	7 – 9	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	4 – 6	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

Indicative content

- Relationship marketing focuses on a business getting to know its customer better, allowing for more customer loyalty rather than one-time purchases.
- Use of social media could help a gym identify what is important to customers/current trends in terms of gym classes and equipment, which it could then incorporate in their business to encourage repeat business.
- Creation of a database with information about customers, for example when they work out, classes they enjoy etc. This could allow for targeted/direct marketing could make customers feel more valued and therefore more likely to return to the gym.
- The gym could also communicate with customers via social media, in terms of positive and negative experiences, which could make customers feel more valued by the business and therefore encourage them to be more loyal.
- Creation of an app or website could assist with data gathering, which could also allow classes/opening times, etc to be tailored to the needs of customers.

Credit valid alternative content.

Section C **Total for this section: 36 marks**

Question	Part	Marking guidance	Total marks
12		A luxury watch manufacturer has decided to launch a new range of watches at a low price to attract a wider target market. Is this a good idea? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 3** **AO4 = 5**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	7 – 9	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are
- To analyse the case for and against
- A luxury watch manufacturer
- Launching a new range of products
- To attract a wider target market
- And make a supported judgement

Indicative content

Possible arguments for:

- This product will hold more of a mass appeal, meaning there could be higher customer numbers.
- By targeting a wider market, it will allow for greater sales volume, which could generate higher amounts of revenue for the business.
- Products will carry the same luxury brand, which could be aspirational and therefore very appealing to a wider market, meaning it could be very easy to sell.
- The association with the luxury brand may possibly require a lower amount of marketing simply due to word-of-mouth appeal.
- Costs could be reduced as they are now targeting more of the mass market, where customers normally do not demand such high quality (in terms of raw materials etc) as the luxury, niche market.

Possible arguments against:

- By targeting a more mass market, the price will most likely need to be reduced (possibly drastically), therefore reducing profit margins.
- A luxury watch retailer could have very high overheads, in the form of experienced staff, high quality machinery etc. With all of these costs, it may not be possible for the business to lower prices enough to attract a wider market, without generating a loss.
- It could damage their brand and discourage their current customers from continuing to purchase their watches as it is now seen as a mass market brand, as opposed to a luxury one.
- It may need to find a new supplier to gain access to more affordable materials, which could cause problems in terms of receiving goods in a timely manner etc as it will not have a relationship with this new business.

Overall, it depends on:

- Whether the business will generate more profit as a result of producing the new range or not (the PED of their products). If it is price elastic, a lower price should result in higher amounts of revenue.
- If it can produce a new range without damaging their existing brand.
- If it is able to lower costs sufficiently to generate a profit from the new range.
- What the long-term strategy of the business is. Is it intending on becoming more mass market or returning to luxury products? If the brand will continue to be luxury, targeting a wider market could cause them too much damage to return from.

Credit valid alternative content. No decision is right or wrong but should be assessed on the quality of argument.

Question	Part	Marking guidance	Total marks
13		A global business is facing increasing levels of local competition in a number of countries. It is considering investing time to create a new marketing plan. Is this a good idea? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 3** **AO4 = 5**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	7 – 9	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are
- To analyse the case for and against
- A business investing in a new marketing plan
- To counter increasing levels of competition
- And make a supported judgement

Indicative content

Possible arguments for:

- A marketing plan contains: marketing objectives, strategy, tactics and budget.
- With increasing levels of local competition, a new marketing plan may allow it to conduct more detailed market research and therefore a greater understanding of their customer needs. This could allow them to develop a strategy which would create more loyal customers and therefore counter the threat of the competition from the local businesses.
- Increasing their marketing budget could allow them to develop new and innovative ways of advertising to its customers, reducing the threat of the competition.
- Without a new marketing plan, the increasing levels of competition could attract the current customers of the business, potentially resulting in a loss of market share.

Possible arguments against:

- A marketing plan is likely to be expensive, which will increase the costs to the business. As a result, prices may need to be increased to maintain profit margins. This could make it less appealing than the competitors, particularly if local firms are cheaper.
- A different marketing plan may need to be created to suit different nationalities/regions, which would take more time and present an opportunity cost.
- Sales may not be impacted due to increasing levels of competition as the business may have a strong USP which would discourage customers from switching.
- As a global business, it may benefit from economies of scale that local businesses do not, therefore allowing it to reduce costs and prices. The marketing plan could erode this cost benefit due to the expense needed to create it on such a large scale.
- If sales are falling due to increasing levels of competition, the issue may not be the marketing, it could for example be that money should be invested into increasing efficiency (lowering costs and prices) instead.

Overall, it depends on:

- Whether or not the new competitors are posing a threat to this business. For example – are the businesses targeting similar market segments?
- Whether or not the business can afford this marketing plan without having to borrow money or increase prices (for example if it has cash reserves or if it can sell shares).
- Whether a different marketing plan would be required for each of the different countries, which may be expensive and difficult to manage.

Credit valid alternative content. No decision is right or wrong but should be assessed on the quality of argument

Question	Part	Marking guidance	Total marks
14		Silver Stream plc is an online streaming service offering movies and documentaries. It has decided to invest this year's profits into new product development rather than paying dividends to shareholders. Assess the arguments for and against this decision and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 3** **AO4 = 5**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are
- To analyse whether retained profits
- Should be invested in new product development
- Or invested as dividends
- For an online streaming service
- And make a supported judgement

Indicative content

Possible arguments for:

- New product development for Silver Stream plc will involve the creation of new content in terms of movies and documentaries.
- New content could set them apart from other competitors and encourage customers to choose them over other services (develop a USP). This could protect their position in the market in terms of future market share, profits etc.
- The streaming market tends to be dynamic/highly competitive – furthering the need to develop a strong USP.
- Shareholders may prefer the money to be invested in a longer-term strategy such as new product development, to allow profits to be continued to be made in the future, increasing the value of the shares.

Possible arguments against:

- Creation of new content is extremely expensive – the profits may not be enough to compete the new projects and therefore could be wasted.
- Licencing existing content may be a more cost-effective way to generate new shows and potentially more appealing to customers, as it will be well known.
- It may not have experience of creating new shows therefore the 'new products' may not be successful.
- Paying dividends can make future shares more appealing and therefore increase in value.
- Silver Stream plc is likely to need high levels of investment to create new content or licence existing content – generating money from future share sales will probably therefore be important.
- Shareholders expect to be rewarded if the business experiences large profits. If they are not, they may sell their shares, causing the value of the business to fall.

Overall, it depends on:

- The proportion of the business which is floated on the stock exchange – if it is a small percentage, their satisfaction becomes less important.
- The market conditions that Silver Stream plc are experiencing. If there is increasing competition and demands from consumers for new content, the money is better being invested into new product development.
- Does either option need to be taken? The business may prefer to keep the profits as contingency funds, particularly as they operate in a dynamic market.

Credit valid alternative content. No decision is right or wrong but should be assessed on the quality of argument.

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1	1				**1**
2	1				**1**
3	1				**1**
4	1	1			**2**
5	1	2			**3**
6	1	2			**3**
7	1	2			**3**
8	1	2			**3**
Section B					
9	3	3	3		**9**
10	3	3	3		**9**
11	3	3	3		**9**
Section C					
12	2	2	3	5	**12**
13	2	2	3	5	**12**
14	2	2	3	5	**12**
Unit Total	**23**	**24**	**18**	**15**	**80**