



**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2013**

Business Studies

Assessment Unit AS 1

assessing

The Competitive Business

[AT111]

WEDNESDAY 9 JANUARY, AFTERNOON

**MARK
SCHEME**

- 1 (a) Market growth refers to the rate at which the overall market is expanding from one year to the next. Apple needs to know this in order to plan effectively and meet market requirements. Market growth signals opportunities for increased profits.

Apple should be concerned because, although the tablet computer market is expanding rapidly, market research indicates that consumers are increasingly considering buying other brands.

Apple needs to be able to plan to meet any increase in demand.

Apple must prepare to face the increased competition resulting from more sellers.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of market growth.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of market growth.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of market growth.	[0] Candidate does not attempt to apply knowledge.

[4]

4

- (b) A consumer panel is a group of people who form part of a market segment. They are asked to contribute thoughts and feelings about a product or service, in many cases through an interview process. It is similar to a focus group, yet different, because with a consumer panel the members are used on an ongoing basis.

Kantar gathered its data from consumer panels in the UK, France, Italy, Germany, USA and Australia.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of a consumer panel.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of a consumer panel.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of a consumer panel.	[0] Candidate does not attempt to apply knowledge.

[4]

4

(c) There are many advantages to a business such as Apple of having a balanced portfolio of products.

These include:

- less promotional expenditure needed to launch new products if brand name is well established. The iPad was successful on the back of the iPhone
- cash flow can be managed to ensure that products in the maturity stage can be used to fund the development and introduction of new products such as the iPad
- it helps to build up a strong corporate image for Apple and maintain customer loyalty
- technology can be transferred from one market to another by Apple in order to create competitive advantage
- it gives security to Apple as risks are balanced across several markets.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO2 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of factors determining a balanced portfolio of products. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[4]–[3] Good analysis of factors determining promotion expenditure.
Level 1	[1] Candidate demonstrates some understanding of a balanced portfolio of products. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[2]–[1] Limited analysis of factors determining promotion expenditure.
Level 0	[0] Candidate demonstrates no understanding of a balanced portfolio of products.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of factors determining promotion expenditure.

[8]

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- (d) Secondary market research involves the use of existing data that has already been collected. Also known as desk research, it may be carried out online or by reading press reports or research projects.

The advantages to Apple of using secondary research might include:

- it is often quicker to complete than primary research, an important factor in trying to get ahead in a fast changing market such as tablet computers
- it can be relatively inexpensive compared to primary research
- it can be used as a starting point to allow Apple to focus primary research on a particular area
- more and more sources are available online so results can be checked for accuracy.

The disadvantages to Apple of using secondary research might include:

- the information is available to competitors such as Samsung so they can also identify trends and respond to them
- Apple cannot verify the accuracy of the information or the quality of the research carried out
- information collected may be out of date, an important factor, especially in the tablet computer market
- the information may be biased if the original collector was out to prove something or argue a case.

As part of their discussion, candidates should consider both advantages and disadvantages and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO2 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of arguments.
Level 2	[2] Candidate demonstrates good understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of arguments.
Level 1	[1] Candidate demonstrates some understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of arguments.
Level 0	[0] Candidate demonstrates no understanding of the advantages and disadvantages.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of arguments.

	A04 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

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- (e) The advantages to consumers of a single company like Apple dominating the market might include:
- Apple can take advantage of economies of scale in order to keep prices down for consumers
 - as Apple has such a dominant position in the market it does not have to spend so much on promotion, keeping costs and prices down
 - Apple can better afford to carry out research and development of new products as its profits are likely to be higher
 - the existence of large profits in the market means that Apple will be more inclined to look after customers in order to keep profits flowing in the longer term
 - attention can be concentrated on serving the customer rather than beating competitors
 - consumers became familiar with Apple products.

The disadvantages to consumers of a single company like Apple dominating the market might include:

- it has the ability to exploit consumers by charging higher prices as consumers have little choice
- there is less urgency to come up with innovative products to stay ahead of competition. Apple may become complacent
- less choice in the tablet computer market as there are fewer models available
- consumers frustrated by constant updates.

As part of their discussion, candidates should consider both advantages and disadvantages to consumers of a single company like Apple dominating the market and come to a final judgement.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO2 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of the advantages/ disadvantages of market domination by one company. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of points.
Level 2	[2] Candidate demonstrates good understanding of the advantages/ disadvantages of market domination by one company. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of points.
Level 1	[1] Candidate demonstrates some understanding of the advantages/ disadvantages of market domination by one company. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of points.
Level 0	[0] Candidate demonstrates no understanding of the advantages/ disadvantages of market domination by one company.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of points.

	A04 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

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- 2 (a) Adding value refers to the process by which a business makes a product more desirable to consumers. Thus, raw materials are transformed into finished products and sold on at a profit.

Coca-Cola HBC Ireland and Northern Ireland takes water, bottles it and delivers it to consumers where they want it. Sometimes flavours or concentrates are added to produce soft drinks like Coke, diet Coke, Fanta or Sprite.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of adding value.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of adding value.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of adding value.	[0] Candidate does not attempt to apply knowledge.

[4]

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(b) Flow production, often referred to as mass production occurs when production takes place as a continuous process.

The disadvantages of flow production might include:

- a highly standardised product means that not all customers will be satisfied. Coca-Cola is not everyone's taste
- any fault in the production process has the potential to cause serious problems as 1.5 million litres per day can be produced
- highly specialised machinery is needed. The new plant at Knockmore Hill cost £93.5 million
- workers may become so specialised that job satisfaction decreases
- boredom can lead to mistakes/low motivation.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of flow production.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of flow production.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of flow production.	[0] Candidate does not attempt to apply knowledge.

[4]

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- (c) Coca-Cola HBC Ireland and Northern Ireland has experienced expansion throughout the years. It has also consolidated two separate plants into a large state-of-the-art facility. In doing so the business would have experienced internal economies of scale.

The internal economies of scale experienced by Coca-Cola HBC Ireland and Northern Ireland might include:

- the law of multiples. Coca-Cola HBC will be able to employ a larger number of slower machines than fast ones so that a better overall balance in production is achieved
- increased dimensions. Increased plant size will lead to a proportionally smaller increase in costs
- machines will be able to be used at full capacity to make drinks so average production costs will fall
- flow production techniques will be employed by Coca-Cola HBC enabling capital to replace labour
- managerial economies. Coca-Cola HBC will be able to employ more specialised managers in order to increase efficiency
- financial economies. Coca-Cola HBC would find it easier to raise capital and to borrow money. They may also receive more favourable interest rates
- purchasing economies. Coca-Cola HBC will be able to buy raw materials in bulk, receiving discounts and keeping costs down
- marketing economies. Selling and administration costs will not rise in proportion to sales.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO2 Analysis [4]
Level 2	[2] Candidate demonstrates good knowledge and understanding of internal economies of scale. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[4]–[3] Good analysis of the importance of internal economies of scale.
Level 1	[1] Candidate demonstrates some knowledge and understanding of internal economies of scale. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[2]–[1] Limited analysis of the importance of internal economies of scale.
Level 0	[0] Candidate demonstrates no knowledge and understanding of internal economies of scale.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of the importance of internal economies of scale.

[8]

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(d) The franchisee is the one who buys a franchise from the franchisor.

The advantages of franchising to a franchisee like Coca-Cola HBC Ireland and Northern Ireland might include:

- it means that they are guaranteed high sales as they are producing a highly successful global brand
- Coca-Cola HBC Ireland and Northern Ireland are sure of the quality of all their concentrates and syrups as they are supplied through contracts with the franchisor
- the business can benefit from global brand advertising
- the business has a clearly defined territory in Ireland to serve with no competitors supplying the same product
- there may exist the possibility of being able to access funds or training support from the franchisor.

The disadvantages of franchising to a franchisee like Coca-Cola HBC Ireland and Northern Ireland might include:

- as well as paying a start-up fee, Coca-Cola HBC will probably have significant yearly fees to pay to the franchisor
- the franchisor will probably have significant input into how Coca-Cola HBC runs its business. This may be restrictive at times, especially if the Coca-Cola HBC want to deal with local trading conditions
- other franchisees might give the brand a negative image in the future, thus impacting upon Coca-Cola HBC
- Coca-Cola HBC will have to share profits with the franchisor.

As part of their discussion, candidates should consider both the advantages and disadvantages of being a franchisee and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO2 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of franchising issues. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of arguments.
Level 2	[2] Candidate demonstrates good understanding of franchising issues. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of arguments.
Level 1	[1] Candidate demonstrates some understanding of franchising issues. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of arguments.
Level 0	[0] Candidate demonstrates no understanding of franchising issues.	[0] Candidate does not apply knowledge.	[0] No analysis of arguments.

	A04 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

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- (e) In order to become ISO 9000 certified Coca-Cola HBC Ireland and Northern Ireland must show that it has a clear quality policy that is implemented at all levels of the organisation.

The advantages to Coca-Cola HBC Ireland and Northern Ireland of becoming ISO 9000 certified might include:

- it will indicate to potential customers that the products of the company are high quality so can lead to increased sales
- it will help to justify prices charged in the markets in which Coca-Cola HBC operates
- some retailers will only deal with businesses that are ISO 9000 certified so Coca-Cola HBC must achieve this to trade with them
- the process of becoming certified will have made Coca-Cola HBC a much more effective and efficient business
- as a result of improving quality in production Coca-Cola HBC will make substantial savings from unsatisfactory or returned products
- it is a source of competitive advantage for Coca-Cola HBC
- can increase employee motivation
- can improve reputation.

The disadvantages to Coca-Cola HBC of becoming ISO 9000 certified might include:

- achieving the award can be costly in terms of the management time and paperwork involved within Coca-Cola HBC
- it involves considerable target setting and quantitative analysis so may be demotivating for employees within Coca-Cola HBC
- it may slow down the production process as more procedures have to be followed and data analysed
- employees within Coca-Cola HBC may become demotivated by the increase in administration which is involved.

As part of their discussion, candidates should consider both positive and negative aspects and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO2 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of arguments.
Level 2	[2] Candidate demonstrates good understanding of advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of argument.
Level 1	[1] Candidate demonstrates some understanding of advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of arguments.
Level 0	[0] Candidate demonstrates no understanding of advantages and disadvantages.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of arguments.

	A04 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

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MARKS

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