GCSE

Business

J204/02: Business 2: operations, finance and influences on business

General Certificate of Secondary Education

Mark Scheme for June 2024

Oxford Cambridge and RSA Examinations

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, Cambridge Nationals, Cambridge Technicals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

PREPARATION FOR MARKING
RM3

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking.

2. Make sure that you have read and understood the mark scheme and the question paper for this unit.

3. Log-in to RM3 and mark the **required number** of practice responses ("scripts") and the **required number** of standardisation responses.

   YOU MUST MARK 6 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

MARKING INSTRUCTIONS

1. Mark strictly to the mark scheme.

2. Marks awarded must relate directly to the marking criteria.

3. The schedule of dates is very important. It is essential that you meet the 50% and 100% deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.

4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM3 messaging system, or by email.

5. **Crossed Out Responses**
   Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

   Multiple Choice Question Responses
   When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).

   Contradictory Responses
   When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)
Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)
If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)
Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Award No Response (NR) if:
   - there is nothing written in the answer space.

   Award Zero '0' if:
   - anything is written in the answer space and is not worthy of credit (this includes text and symbols).

   Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

7. The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**
   If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.

8. Assistant Examiners may send a brief report on the performance of candidates to your Team Leader (Supervisor) by the end of the marking period.

9. Annotations

Annotation	Meaning	Annotation	Meaning
✓	Correct - 1 mark awarded	K	Knowledge (AO1a)
✗	Incorrect	U	Understanding (AO1b)
BOD	Benefit of doubt – mark awarded	APP	Application (AO2)
NAQ	Not answered question – question is either omitted or answer is not relevant to the question asked	AN	Analysis (AO3a)
TV	Too vague – no reward	EVAL	Evaluation (AO3b)
REP	Repetition – credit already given or answer repeats what is in the question or stem	?	Not sure what the candidate is trying to say
NUT	Not used text – answer does not make use of the context so no application mark	OFR	Own figure rule
SEEN	Noted but no credit given		
BP	Blank page (only use on Q18e)		

Highlighting is also available to highlight any particular points on the script.

ARA – Any Reasonable Answer - Where ARA is indicated within the Guidance column for any item on this mark scheme, examiners must accept any reasonable answer that in their professional opinion is as worthy of merit as those indicated on the final mark scheme. However, examiners should liaise with their Team Leaders/Principal Examiner wherever there remains any doubt as to whether or not a response (or part-response) should be awarded.

Question	Answer	Marks	Assessment Objective
SECTION A			
1	**A**	1	1b
2	**A**	1	2Q
3	**B**	1	1b
4	**B**	1	2
5	**C**	1	1a
6	**A**	1	2Q
7	**B**	1	2 (PS)
8	**D**	1	2
9	**B**	1	1a
10	**C**	1	2Q
11	**C**	1	2
12	**C**	1	2
13	**B**	1	2Q
14	**D**	1	2Q
15	**C**	1	2Q

Question			Answer	Marks	Guidance
			SECTION B		
16	a		**Identify two characteristics of flow production.** **Answers may include:** • A business can make large quantities / in bulk • Costs of production **<u>per unit</u>** are lower (economies of scale) • Machinery / Automation • Very expensive <u>to initially set up</u> • Undifferentiated items / products all the same / consistent quality / specialised • Uses an assembly line • Production is continuous / can run 24/7 • Large stocks of components / raw materials may be necessary. **ARA**	2 AO1a	One mark for each correct characteristic, up to a maximum of two marks. *Answers do not need to relate to Unilever* No reward for comparative statements (with regards to other production methods) unless they contain a specific characteristic of flow production. No reward for the time it takes.
	b		**Analyse one way the marketing function impacts on the operations function of Unilever plc.** **Understanding may include:** • Advertising/promotion may take place • Price changes • New product development • Identifying new markets / market research • Using different selling methods – online & high street **Application may include:** • Global markets; 190 countries • Wide range of products • International brands – including Lynx, Dove, Hellmann's, Persil • Factories around the globe • Flow and batch production used • Average revenue has grown • Economic climate is difficult, adapting to changes.	3 AO1b AO2 AO3a	One mark for a way the marketing function may change. *No further marks can be gained without understanding.* One <u>further</u> mark for application to Unilever. APP One <u>further</u> mark for analysis of how marketing impacts on the operations function. **NB:** Analysis must be business-facing. The understanding mark is awarded for a <u>specific</u> aspect of the marketing function (no reward for

Question			Answer	Marks	Guidance
			Analysis may include: • Changes in output / production / quantity produced. • Increase in production or production capacity. • Find new ways to produce a product • Need to invest in capital to increase / improve / enable production. **<u>Exemplar response</u>** The marketing department may increase the amount of advertising **(1)** for Lynx Body spray **(APP)**. This means that operations will need to increase production to meet the changes in demand **(1)**. **ARA**		general comments about 'marketing changing' or 'going well' or 'being a global business'). The analysis mark must be focused on a <u>specific</u> impact on the operations function.
	c	(i)	**Calculate Unilever plc's average revenue from 2019 to 2022.** **Indicative content:** 51,900 + 50,700 + 52,400 + 60,000 = 215,000 (1) 215,000m ÷ 4 **<u>€53,750m</u>** (1)	2 AO2	Two marks for correct answer (with or without workings). **NB:** Accept an answer of 53,750. No reward for any answer which correctly calculates the average revenue for the wrong period.
		(ii)	**Explain one way revenue affects a business' decision making.** **Answers may include:** • Price setting • Need to reduce costs • Able to increase costs • Ability to spend money on raw materials • Ability to continue to function • Entering a new market / expansion • Competing with others	2 AO1b	One mark for identifying a way revenue affects business decision making. One **further** mark for explaining the way. *Answers do not need to relate to Unilever.* No reward for a definition of revenue.

Question			Answer	Marks	Guidance
			• Decision to remove / continue with / develop new products (or any other specific decision, e.g., to take more risky or less risky decisions). **<u>Exemplar response</u>** It helps to decide how to price a product **(1)**. If revenue is low, they may consider increasing prices **(1)**. A business can look to expand **(1)** if it has lots of revenue **(1)**. **ARA**		
	d		**Explain how operating in a difficult economic climate might affect a business.** **Answers may include**: • increased unemployment / fewer jobs • reduced consumer incomes / less spending. **<u>Exemplar response</u>** There may be increased unemployment **(1)**. If consumer incomes fall the demand for products might fall **(1)**. People may have less income **(1)** so demand may fall **(1)**. **ARA**	2 AO1a AO1b	One mark for identifying knowledge about a difficult economic climate. ✓ One **further** mark for explaining how a business may be affected. ✓ *Answers do not need to relate to Unilever.* There must be evidence of a poor economic climate issue before any impact on a business can be rewarded. Accept other examples of a poor economic climate (e.g. <u>high</u> inflation, <u>low/negative</u> economic growth, <u>high</u> interest rates, etc.)

Question			Answer	Marks	Guidance
	e	(i)	**State what is meant by international branding.** Creating an image for a product **(1)** that is then communicated in countries all around the world **(1)**. A <u>recognisable</u> brand **(1)** that is known worldwide **(1)**. Having a logo **(1)** which is recognised around the globe **(1)**. Promoting your product all over the world **(1)**. **ARA**	2 AO1a	Two marks for a clear definition. One mark for a partial definition (e.g., a definition of branding <u>or</u> international **marketing**). *Answers do not need to relate to Unilever* No reward for a definition which is solely about international trade or being a multinational.
		(ii)	**Evaluate the benefits of international branding to Unilever plc.** **Application may include:** • Multinational company; 190 countries • Products include Lynx, Dove, Hellmann's, Ben & Jerry's, Persil • Sells a wide range of quality products • Factories around the globe • Economic climate <u>is difficult</u> • Worldwide revenue high and increasing since 2020. **Analysis may include:** • Operating in many more countries may increase sales / profits. • Develop a global brand that is recognisable in every country to build customer loyalty or increase sales / profits. • Allows development of a larger range of products • The brand / reputation can provide a competitive advantage • More businesses may be wanting to set up partnerships or joint ventures. • Able to focus on countries where the economy is strong at that time.	7 AO2 AO3a AO3b	**Use marking grid to assess skill levels.** Annotate as: Up to two marks for application to Unilever APP Up to two marks for analysis AN Up to three marks for evaluation EVAL **NB**: Context must be <u>used</u> to be awarded as application. **NB:** Analysis must be business facing impact. For strong evaluation i.e., the full three marks, the evaluation must be contextual. No reward for answers about being a multinational. No reward for disadvantages/drawbacks of international branding, unless it is part of evaluation.

Question			Answer	Marks	Guidance
			Evaluation may include: • The particular importance for a global business. • The relative influence of different factors, e.g., despite strong international brands, if consumer incomes reduce around the world Unilever profit levels will go down and lead to cost cutting such as redundancies. • Having strong international brands is very important to the growth of Unilever in terms of sales/profit but so is the range and quality of products they provide. **<u>Exemplar response</u>** Unilever has a range of global brands that are familiar in the 190 countries (**APP**) they operate in. By having an international brand Unilever can use the same advertising across the globe to increase demand (**AN**). By having a marketing campaign that runs around the globe for its products like Ben and Jerry's ice cream (**APP**), marketing costs can be kept down (**AN**). I think international branding does have many benefits for Unilever (**EVAL**) because they are able to save on advertising costs through economies of scale (**EVAL**) which increase the profit margins on those branded products like Persil and Lynx (**EVAL**) **ARA**		

16 e(ii) Evaluate the benefits of international branding to Unilever plc.

<table>
<tr><th></th><th>Application
(2 marks)</th><th>Analysis
(2 marks)</th><th>Evaluation
(3 marks)</th></tr>
<tr><td>Strong</td><td rowspan="2">2 marks

Two <u>uses</u> of context in relation to the benefits of international branding

[APP]
[APP]</td><td rowspan="2">2 marks

Two different (business-facing) benefits of international branding

[AN]
[AN]</td><td>3 marks

A justified contextual judgement about the benefits to Unilever of international branding.

[EVAL]
[EVAL]
[EVAL]</td></tr>
<tr><td>Good</td><td>2 marks

A justified judgement about the benefits of international branding.

[EVAL]</td></tr>
<tr><td>Limited</td><td>1 mark

One <u>use</u> of context in relation to the benefits of international branding

[APP]</td><td>1 mark

One (business-facing) benefit of international branding

[AN]</td><td>1 mark

A decision about the importance of international branding.

[EVAL]</td></tr>
</table>

Question			Answer	Marks	Guidance
17	a		**Identify one reason, other than expansion, why a business needs finance.** **Answers may include:** • Cash flow (day-to-day operations, such as buying raw materials or paying staff) • Establishing a new business • Recruitment costs • Develop new products • Develop marketing activities • Pay back any previous debt • To prevent it going bankrupt / help it survive. **ARA**	1 AO1a	One mark for a correct reason. *Answers do not need to relate to The Sea View Hotel.* No reward for any answer linked to expansion or growth (e.g. buying a new hotel).
	b	(i)	**Explain why profit is important to a business' future.** **Answers may include:** • To see if the business has improved on last year **(1)** by using profitability ratios **(1)** • To compare performance against competitors **(1)** by using profitability ratios **(1)** • No need to seek out other finance **(1)** which could be expensive **(1)** • To pay dividends **(1)** which keep shareholders happy **(1)** • To help to repay a loan / debt **(1)** so that costs fall **(1)** • Buy new equipment and buildings **(1)** to replace worn out items **(1)** • To help expansion **(1)** by opening new stores **(1)** • Attract new investors **(1)** so that the business can expand **(1)** • Develop new products **(1)** to allow more profit to be made in the future **(1).** **ARA**	2 AO1a AO1b	One mark for identifying why profit is important, plus one further mark for understanding. *Answers do not need to relate to The Sea View Hotel.* Understanding may come from how or why the profit allows the benefit or an explanation/example of the benefit itself. No reward for a definition of profit. No reward for answers about allowing the business to survive.

Question			Answer	Marks	Guidance
		(ii)	**Calculate the daily break-even quantity for the proposed hotel.** SP- VC = Contribution 100 – 40 = 60 **(1)** FC/7 days 6300/7 = 900 **(1)** Daily break-even = 900/60 = **<u>15</u> (1) [OFR]** *<u>Alternative method</u>* *Contribution = 60* ***(1)*** *Annual break-even = 6300/60 = 105* ***(1)*** *Daily break-even = 105/7 =* ***<u>15</u> (1) [OFR]***	3 AO2	Three marks for correct answer (with or without workings). No reward for the formula One mark for contribution calculation One mark for fixed cost calculation One mark for correct answer of 15 rooms A total of two marks for not dividing the weekly fixed costs by 7. (e.g., 6300/60 = 105) (**2**). **NB**: Maximum of two marks for an answer with the wrong units (e.g. £).
		(iii)	**Analyse one disadvantage to the partnership if the proposed hotel's fixed costs were 10% higher than expected.** **Understanding may include**: • Could lead to lower profits (or a loss) • Could lead to price increases • Less money available for other needs (e.g. day-to-day running of the hotel) • Increases (harder to reach) the break-even level of output (less able to cover the costs). **Application may include:** • Fixed costs of £6300 a week • Increase of £630 a week / to £6930 / £90 more per day • Variable costs of £40 a day • Selling price is £100 per room • £0.5m for redecoration of new hotel • £1.5m for purchase of new hotel • 25 rooms in new hotel	3 AO1b AO2 AO3a	One mark for a disadvantage of having costs that may be higher than expected. *No further marks can be gained without understanding.* One <u>further</u> mark for application to the Sea View Hotel partnership. APP One <u>further</u> mark for an analysis of the disadvantage to a business of higher costs. **NB:** Analysis must be business-facing. No reward for 'costs will increase'. No application marks for context about the <u>current</u> hotel (e.g. it is a profitable hotel).

Question			Answer	Marks	Guidance
			• Break-even is currently 15 per day (105 per week) **[OFR from Q17bii]** • Break-even will increase to 17 per day (119 per week) • Existing bank loan. **Analysis may include:** • Need to fill more rooms to cover the extra costs. • May reduce customer demand (if price has increased) • Decisions on new equipment or expansion may need to be postponed. • Share of the profits could be reduced for the owners. • May put off investors/new partner into the partnership. • May not be able to keep up with the competition. • May lead to business debts or a need for more finance. **Exemplar response** If the fixed costs increased to £6930 **(APP)** the hotel makes less profit **(1)**. This may make it difficult to attract new investors **(1).** **ARA**		No reward for answers which suggest an implication on the stress levels of the owners.
	c		**Identify two uses of a cash flow forecast to a business.** **Answers may include:** • A planning tool (e.g. estimating inflows or outflows) • Anticipate periods of cash shortages (negative cash flow) • Enable remedies to be put in place • Help with budgeting • Identify or arrange an overdraft / funding • Provide targets. **ARA**	2 AO1a	One mark for each correct use of a cash flow forecast, up to a maximum of two marks. No reward for answers about profit, loss, break-even, costs, spending money, etc.

Question			Answer	Marks	Guidance
	d	(i)	**Analyse one advantage to the partnership of taking on Finley as a new partner to fund the proposed hotel.** **Understanding may include:** • New skills introduced • A long-term source of finance • Injection of finance / no cost to raise finance. **Application may include:** • Currently a profitable hotel • £2m cost of expansion • Already have a loan • Concerns about the cost of borrowing increasing • Considering getting a bank loan • Friend of Anika • Has been travelling around the world • Photographer / Environmental campaigner. **Analysis may include:** • Will support cash flow therefore reduction in risk. • Frees up other money they may have to spend on current hotel. • May not need to borrow money from the bank. • The new hotel development can get started sooner. • Lenders may be willing to lend as now more partners. • Impact on reputation / success of business. **<u>Exemplar response</u>** Taking on a new partner would be a cost-free option **(1)** to raise £2m **(APP)** for the development. Not needing to pay interest on this finance saves them money which can now be spent on the hotel **(1)**. **ARA**	3 AO1b AO2 AO3a	One mark for an advantage of taking on a partner. *No further marks can be gained without understanding.* One <u>further</u> mark for application to Sea View Hotel. APP One <u>further</u> mark for analysis of the advantage to a business of taking on a partner. **NB:** Analysis must be business-facing.

Question			Answer	Marks	Guidance
		(ii)	**Analyse one disadvantage to the partnership of taking on Finley as a new partner to fund the proposed hotel.** **Understanding may include:** • Decision making longer • Loss of control for the current partnership • May not have the skills needed to help partnership • Will need to split income/profit three ways • May not have enough money for the investment. **Application may include:** • Currently profitable • £2m cost of expansion • Already have a loan • Can afford another loan if costs do not increase • Friend of Anika • Has been travelling around the world • Currently unemployed; photographer; environmental campaigner. **Analysis may include:** • Decision making longer which may mean delays / arguments as to how the hotel should look and operate • May cause conflict as Finley is a friend of Anika • May lead to less profit/success as his skills are not relevant • May need to raise money from other sources if Finley does not have £2m to invest? **Exemplar response** It may mean that it takes longer to make decisions **(1)** especially as Finley may not have the skills needed as he is a photographer **(APP).** This could delay the development of the hotel**. (1)** **ARA**	3 AO1b AO2 AO3a	One mark for a disadvantage of taking on a partner. *No further marks can be gained without understanding.* One further mark for application to Sea View Hotel. APP One further mark for analysis of the disadvantage to a business of taking on a new partner. **NB:** Analysis must be business-facing.

Question			Answer	Marks	Guidance
		(iii)	**Recommend whether the partnership should take on Finley as a new partner or use a bank loan to fund the proposed hotel.** A full answer needs a supported judgement as to which option is MORE APPROPRIATE. Justification can be made using any combination of features/ advantages/disadvantages so long as a comparison is being made (i.e. a link between them as opposed to separate points). **<u>Exemplar responses</u>** I think that Anika and Charlie should take out a bank loan **(1).** This will get them the £2m they need to develop the new hotel straight away (CONT) which may be preferable to taking on a partner who may not have enough money on his own **(+2).** The bank loan is a better option **(1)** as this will mean that the current owners will not have to dilute their ownership of the business whereas if they take on Finley, they will need to let him have a share of the profits **(+1)**. *[A comparison answer but no use of context.]* I recommend they take on Finley as a new partner **(1)**. It could help them gain interest free finance and bring in new ideas to the business. Finley has just returned from travelling the world so would have useful experience. *[No comparison with taking out a bank loan so 1 mark is the maximum which can be awarded.]* **ARA**	3 AO3b	One mark for a clear judgement whether they should take on a new partner or use a bank loan. <u>Plus</u> Two <u>further</u> marks for a contextual justification of whether the business should take on Finley or use a bank loan. *Double tick* <u>or</u> One <u>further</u> mark for a non-contextual justification of whether the business should take on Finley or use a bank loan. *Single tick* **NB:** Context, rather than application, required for full marks. **NB** Justification is why one method is BETTER THAN the other for the business (rather than just good for business). A comparison is required; therefore, the response **must cover both methods** to gain a mark for justification. i.e. one method **compared with** rejected option (even if the comparative justification for the rejected option is basic e.g. 'cannot do …' or 'does not allow …'). **NB:** If two separate points are made i.e. one about Finley and one about a bank loan, there must be a comparative link i.e. both about risk (accept riskier than), both about cost (accept cheaper than), etc.

Question			Answer	Marks	Guidance
18	a		**Identify one factor which can affect the quality of a business' products.** **Answers may include:** • Quality of supplies / raw materials used • Employees experience / skill / motivation / training • Production method used • Use of technology • Use of quality control methods • Legislation. **ARA**	1 AO1a	One mark for a correct factor. Answers may consider what will help improve quality <ins>or</ins> make it less good. No reward for a definition of quality (e.g., fit for purpose). No reward for assuming that 'low cost' means low quality.
	b		**Analyse one impact of consumer law on Primark Ltd** **Understanding may include:** • Satisfactory quality / fit for purpose / as described • Products meet the standard set • Aims to protect consumers • <ins>Need to comply</ins> with the law (or an example of a specific piece of consumer law). **Application may include:** • A fashion retailer • Sells clothing and homeware • Low-cost suppliers • Prices <ins>lower than most retailers</ins> • Selling online • Clothes made using material from sustainable sources. **Analysis may include:** • Higher costs: finance needed • Need to implement quality assurance or use better raw materials	3 AO1b AO2 AO3a	One mark for understanding of consumer law. *No further marks can be gained without understanding.* One <ins>further</ins> mark for application to Primark. APP One <ins>further</ins> mark for analysis of an impact on a business of consumer law. No reward for issues that are ethical rather than a legal requirement.

<table>
<tr><th colspan="3">Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td></td><td></td><td></td><td>Helps to improve the quality of goods / products will be of a good standard
Potential for returns which leads to loss of time and reduce profit
Not making products fit for purpose can negatively affect reputation / sales / profits
Financial impact (fines) of not complying with the law.
<u>Exemplar response</u>
If Primark Ltd sells some of its clothing and homeware products (APP) which are ‘not as described’ (1) it could get lots of returned goods. (1)

ARA</td><td></td><td></td></tr>
<tr><td></td><td>c</td><td></td><td>Analyse one benefit for Primark Ltd of having low-cost suppliers.

Understanding may include:
Can pay less for raw materials (variable costs)
Help to keep prices low
Allows a business to buy in bulk
Will reduce break-even level of output
More money available for other parts of the business.
Application may include:
Range of products, including clothing and homeware
Prices <u>lower than most retailers</u>
Selling online
Click and collect service
Aware of need for ethical suppliers
Clothes made using material from sustainable sources.
Analysis may include:
To increase sales</td><td>3
AO1b
AO2
AO3a</td><td>One mark for a benefit of having low-cost suppliers.

No further marks can be gained without understanding.

One <u>further</u> mark for application to Primark. APP

One <u>further</u> mark for analysis of the benefit of having low-cost suppliers for a business.

NB: Analysis must be business-facing.

No reward for only stating ‘low costs’ or ‘costs will be lower’.</td></tr>
</table>

Question			Answer	Marks	Guidance
			• Help maintain market share • Help to compete with other firms • Can maintain / increase profit margins (profitability) **<u>Exemplar response</u>** Primark can keep prices low **(1).** As it aims to have prices lower than other retailers **(APP)** this will help to increase its market share **(1).** **ARA**		
	d	(i)	**Analyse one advantage and one disadvantage to Primark Ltd of offering an online click and collect service for shoppers.** **Application may include:** • A fashion retailer • Lower prices than most other retailers • Low-cost suppliers • Changes in buying habits • Only started selling online in 2022 • Pressure from customers for online buying • Ethical factors are important • Clothing and homeware. <u>Advantages of offering click and collect service</u> **Understanding may include:** • Sell to more people / products • Open 24/7 for orders • Professional website adds to brand image • Save money on delivery <u>to customers' homes</u>. **Analysis may include:** • Primark is 'coming into line' with competitors hence this should boost revenue. • Increase or maintain market share / competitiveness.	6 AO1b AO2 AO3a	<u>Advantage</u> One mark for an **advantage** of offering an online click and collect service. *No further marks can be gained without understanding.* One <u>further</u> mark for application to Primark. APP One <u>further</u> mark for analysis of the given advantage for a business. **NB:** Analysis must be business-facing. **NB:** The advantage must be for Primark Ltd (and not other stakeholders, such as customers). No reward for a basic answer of 'make more profit' – it needs to be linked with higher revenue or competitiveness.

Question	Answer	Marks	Guidance
	• More online presence leading to more awareness of the brand by customers. <u>Disadvantages of offering click and collect service.</u> **Understanding may include:** • Increased costs (e.g., for staffing or website management) • Increased levels of returns / refunds • Reduced chance of impulse purchases • More competition online • Keeping customer data safe online • Keeping up with advances in technology / possible failures in technology • Still need to arrange a collection service – no delivery to customer. **Analysis may include:** • Competitors can see what Primark are doing more easily and compete better against them • May lead to lower sales / profits / productivity • May be fined / bad publicity if data is not kept safely • Primark still need expensive stores on the high street • May affect spending in other areas of the business. **<u>Exemplar response</u>** One advantage is that more people can access the website 24/7 **(1)** which is what customers want due to changes in buying habits **(APP).** This may lead to an increase in market share **(1).** One disadvantage is that they have only started selling online in 2022 **(APP)** so would need new staff to handle the orders which would increase costs **(1)** and may lead to a reduction in profit margins **(1).** **ARA**		<u>Disadvantage</u> One mark for a **disadvantage** of offering an online click and collect service. *No further marks can be gained without understanding.* One <u>further</u> mark for application to Primark. APP One <u>further</u> mark for analysis of the given disadvantage for a business. **NB:** Analysis must be business-facing. **NB:** The disadvantage must be for Primark Ltd (and not other stakeholders, such as customers). No reward for 'customers may not want (or be able) to buy online' – they can still go to the retail store.

Question			Answer	Marks	Guidance
		(ii)	**Recommend whether Primark Ltd should continue to offer an online click and collect service for shoppers.** A full answer needs a supported judgement based on the context. Justification can be made using any combination of features/ advantages/disadvantages so long as the decision is supported. **<u>Exemplar responses</u>** Primark should continue to offer a click and collect service in their stores **(1)**. If it stops then it may lose customers who have got used to ordering online, as people have changed the way they buy (CONT). **(+2)** Primark should continue to offer a click and collect service in their stores **(1)**. If it stops then it may lose customers who have got used to ordering online. **(+1)** **ARA**	3 AO3b	One mark for a judgement whether Primark should or not continue to offer a click and collect service. <u>Plus</u> Two <u>further</u> marks for a contextual justification of whether Primark should or not continue to offer a click and collect service. *Double tick* <u>or</u> One <u>further</u> mark for a non-contextual justification of whether Primark should or not continue to offer a click and collect service. *Single tick* **NB:** Context, rather than application, required for full marks. To justify any decision, candidates need to do more than consider points which are a repetition or extension of advantages/disadvantages of providing a click and collect service.

Question			Answer	Marks	Guidance
	e *		**Evaluate whether Primark Ltd's use of ethical suppliers comes into conflict with its shareholders' objectives.** **Knowledge may include:** • Ethics focuses on doing what is right or wrong. **Understanding may include:** • Pay suppliers a fair and appropriate amount • Using fair trade suppliers • Treat their workers well (no reward for legal requirements) • Using sustainable resources. **Application may include:** Reference to the context of a <u>shareholder</u> objective. • Profits / profitability • Growth of the business • Reputation of the business • Share price/value (market capitalisation) • Dividends. **Analysis may include (and may occur simultaneously with application):** • Higher costs will lead to lower profits • Decreased profits mean less dividends for shareholders • May increase the price of the clothes for customers which they do not like, and Primark could lose share value. **Evaluation may include:** • Primark's ethical supply chain will/will not come into conflict with the owners' objectives • Other factors may be more important • Other things may conflict with the shareholder's objectives like providing a good service • Consideration of short-term costs verses long-term benefits	9 AO1a AO1b AO2 AO3a AO3b	**Use marking grid to assess skill levels.** Annotate as: One mark for knowledge of ethics K One mark for understanding of ethics U Up to two marks for synoptic application* APP Up to two marks for analysis AN Up to three marks for evaluation EVAL *Application refers to synoptic application only. No reward for general <u>stakeholder</u> objectives. No reward for environmental considerations. ------------------------------------ Knowledge – what is ethics? Understanding – an example of ethical behaviour or why it is followed. Application – examples of <u>shareholder</u> objectives (**<u>not</u>** application to Primark). Analysis – how the use of ethical suppliers will affect (positive or negative) a <u>shareholder</u> objective. Evaluation – the decision must be explicit for 1 mark. For two marks there must be a valid justification. For strong evaluation i.e., the full

Question			Answer	Marks	Guidance
			• A judgement about why a particular shareholder objective is most affected. **<u>Exemplar response</u>** Being ethical is doing what is right and wrong **(K)**. This can be choosing a supplier who is fair trade **(U).** Shareholders will want Primark to make a profit **(APP)** but ethical suppliers may charge more, increasing costs and reducing profits **(AN).** They may also want Primark to grow **(APP).** This growth might be slower if they choose suppliers who cost more and reduce the profit available for growth **(AN).** Primark's ethical supply chain will come into conflict with shareholder objectives **(EVAL).** Any increase in costs may force prices up so that customers go to competitors who are now relatively less expensive **(EVAL).** As Primark's key focus is low prices (CONT) it could affect profits, so dividends paid to its shareholders may fall. **(EVAL)** **ARA**		three marks, the evaluation must be contextual <u>to Primark</u>.

18e* Evaluate whether Primark Ltd's use of ethical suppliers comes into conflict with its shareholders' objectives.

<table>
<tr><th></th><th>Knowledge
(1 mark)</th><th>Understanding
(1 mark)</th><th>Application
(2 marks)</th><th>Analysis
(2 marks)</th><th>Evaluation
(3 marks)</th></tr>
<tr><td>Strong</td><td rowspan="3">1 mark
Knowledge of ethics

[K]</td><td rowspan="3">1 mark
Understanding of ethics

[U]</td><td rowspan="2">2 marks

Two examples of shareholder objectives

[APP]
[APP]</td><td rowspan="2">2 marks

Two (business-facing) pieces of analysis which show how two different shareholder objectives are affected by the use of ethical suppliers.

[AN]
[AN]</td><td>3 marks

A justified contextual judgement about whether ethical objectives come into conflict with shareholder objective(s).

[EVAL]
[EVAL]
[EVAL]</td></tr>
<tr><td>Good</td><td>2 marks

A justified judgement about whether ethical objectives come into conflict with shareholder objective(s).

[EVAL]</td></tr>
<tr><td>Limited</td><td>1 mark

One example of a shareholder objective.

[APP]</td><td>1 mark

One (business-facing) piece of analysis which shows how a shareholder objective is affected by the use of ethical suppliers.

[AN]</td><td>1 mark

A decision about whether there is conflict between ethics and shareholder objective(s).

[EVAL]</td></tr>
</table>

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