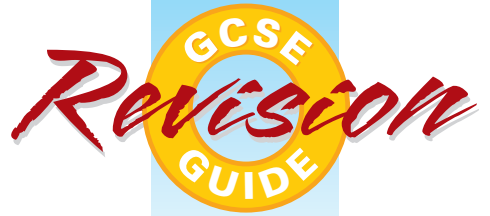


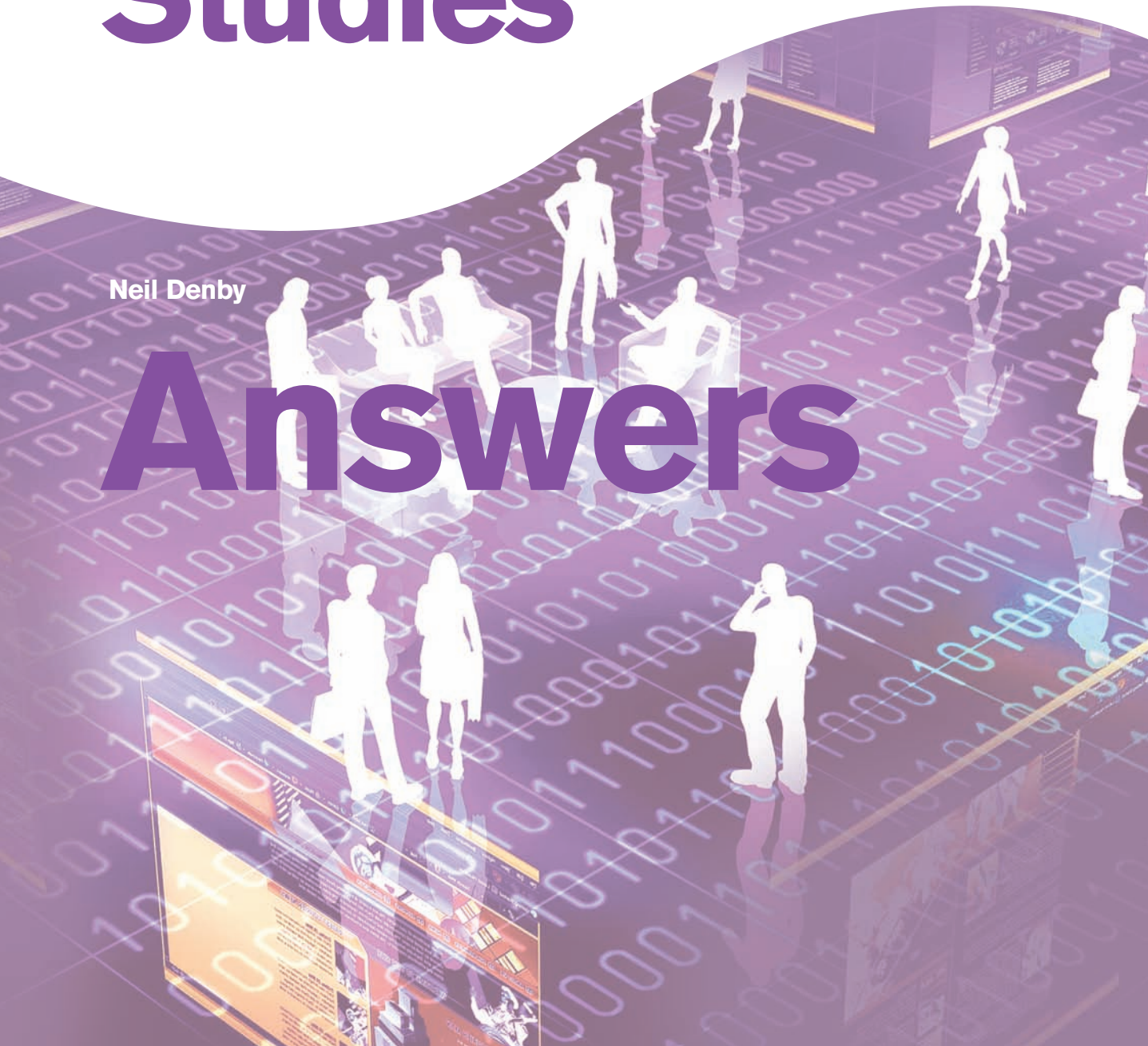
Edexcel GCSE



Business Studies

Neil Denby

Answers



Answers

Unit 1 Introduction to small business

Topic 1 Understanding customer needs and the market (page 13)

Businesses are set up in order to provide the **products** that people need and want. Businesses sell and customers buy. This is called a **market**. Goods are things that can be ‘touched’ as opposed to things done for or to a customer, called **services**. Markets are often divided into **segments**. These can then be more easily targeted. Common ways of **segmentation** include age, geography, gender, hobbies and interests, and **socioeconomic groups** (i.e. the level of income and education enjoyed by a household). Market research may produce both **quantitative data**, involving numbers and statistics and **qualitative data**, involving opinions, views and interpretations.

Topic 2 Understanding added value (page 15)

- 1 (b) they will be able to compete more effectively
- 2 (b) more value for money
- 3 (c) the unique selling point
- 4 (a) increasing price
- 5 (d) added value

Topic 3 Franchising (page 18)

- 1 (b) the buyer of the franchise
- 2 (b) based on a percentage
- 3 (c) a disadvantage to the franchiser
- 4 (c) reduce risk
- 5 (d) expand

Topic 4 Locating a start-up (page 21)

- 1 (a) start-up costs
- 2 (c) services
- 3 (d) near raw materials
- 4 (b) markets
- 5 (b) costs

Section test: Spotting a business opportunity

(pages 21–22)

- 1 (c) not enough debt
- 2 (b) they will be able to compete more effectively
- 3 (b) franchiser
- 4 (a) franchisee
- 5 (c) employing a specialist company to survey 40,000 people
- 6 (c) fee
- 7 (e) added value
- 8 (c) because a small business needs loyalty
- 9 (d) royalty
- 10 (b) height

Topic 5 Enterprise and entrepreneurs

(page 24)

People who start a business, and provide the **organisation**, are called entrepreneurs. Their **reward**, if the business is a success, is **profit**. Enterprise involves taking **risks**, which can be reduced through good **planning** and research. Not all new enterprises **succeed**; in fact, many of them **fail**. Entrepreneurs need to take **risks** in order to bring new or different products to market. They need to have skills of organisation and planning, and are likely to be **creative thinkers**. Entrepreneurs look either to find a **gap in the market** — a product not currently supplied — or to create one with an innovative product. Enterprise skills include teamwork, **problem-solving**, energy and enthusiasm.

Topic 6 Creative thinking and entrepreneurial skill

(page 26)

1	creative solutions	competitive advantage
2	deliberate creativity	consciously trying to be creative
3	problem-solving	essential enterprise skill
4	lateral thinking	outside the box
5	'what if?' scenario	proactive

Topic 7 Invention, innovation and protection

(page 28)

- 1 A product-led business is one that produces a product and then persuades customers that they need it.
- 2 A customer-led business is one that researches what customers might want and then develops a product to fit that need.
- 3 Business ideas can be protected through the use of patents and copyright.
- 4 Intellectual property is as a person's original work, such as music, art, writing, ideas and inventions, and includes words and designs such as logos and slogans.
- 5 Copyright is protection for all printed and published material.

Topic 8 Calculating and managing risk

(page 30)

Many **start-up** businesses face the risk of **failure**. A business plan outlines the aims and **objectives** of a business. It helps the business to see where its **strengths** and weaknesses lie. The plan should be based on **market research** into the business's chosen market. It should include **product, market** and **financial** details. It is often used to help raise **finance** by being presented to a **bank** or other lending institution.

Section test: Showing enterprise

(pages 31–32)

- 1 (c) a market
- 2 (c) a willingness to work hard
- 3 (b) forward planning, (d) good research
- 4 (d) social enterprises
- 5 (a) to make a profit, (c) to achieve an ambition, (e) to be independent
- 6 (d) lateral thinking, (e) deliberate creativity
- 7 (b) proactive
- 8 (b) demonstrating initiative
- 9 (d) intellectual property
- 10 (a) lack of demand, (d) staff who are not experienced

Topic 9 What business could I start?

(page 34)

- 1 Creativity, determination, willingness to work hard, problem-solving, organising.
- 2 The order here does not matter; the importance of the exercise is to think why you have chosen this order, and be able to justify it.
- 3 Three from Prince's Youth Business Trust, government guaranteed loans, charities, Business Start-Up Scheme.
- 4 A gap in the market is where there is demand for a product but no product yet exists to fulfil that demand.
- 5 Finding a gap means researching a market to find what is wanted but not yet supplied. Creating a gap means that you create demand for a product.

Topic 10 Objectives at start-up

(page 36)

- 1 (b) independence
- 2 (c) Hardip
- 3 (d) has some knowledge he could apply to his new business

Topic 11 Estimating revenues, costs and profit

(page 38)

- 1 Possible fixed costs include shops, fixtures and fittings, and vehicles. Possible variable costs include fuel and power and the cost of buying, storing and transporting stock.
- 2 Major revenue sources for the business will be sales revenue, interest payments on loans and credit, and fees (e.g. credit-card fees).
- 3 The most important of these is likely to be the money received for the sale of goods and services such as food, clothes and insurance, because this is likely provide the largest source of income, and the most regular.

Topic 12 Understanding and forecasting cash flow

(page 41)

Sole trader inflows are likely to be limited to revenue from sales. Outflows will include payments for stock, rent or mortgage on premises, heating and lighting, wages for any staff, etc.

For the manufacturing company, inflows are again likely to be limited to revenue from sales of goods, although the company may also be supplying services. Outflows include stock, cost of premises, components and materials, power, wages, vehicles, maintenance, etc.

For the supermarket it is quite likely that part of the inflows are rents (from other businesses taking space in stores) plus car-park fees and charges on store and credit cards. The main inflow will still be sales revenues. Outflows include stock, power, advertising and marketing, wages, bonuses and theft from stores, among others.

Topic 13 Obtaining finance

(page 43)

The money that a business needs often comes from its **owners**. This is called **owners' funds**. Other finance will be raised from lenders such as **banks**. It may also come from profits kept back or **retained**. Sometimes people with **capital** are willing to take a risk on a business. These are called **venture capitalists**. Small businesses may also have **finance** from friends and family. Because small businesses might struggle, there are both **government** and charitable organisations that will help them. These include the government **Business Start-Up Scheme** and charities such as **the Prince's Trust**.

Section test: Putting a business idea into practice

(pages 44–45)

- 1 (c) owners' funds
- 2 (e) mortgage
- 3 (d) trade credit
- 4 (b) the rent on the premises of the business, (e) taking out insurance to cover risks to the premises

	Jan	Feb	March	April	May	June
Cash brought forward	1,000	1,000	-1,000	-4,000	-9,000	-1,000
+ cash from sales	5,000	1,000	2,000	5,000	12,000	8,000
= total cash available	6,000	2,000	-1,000	-1,000	3,000	7,000
- cash out	5,000	3,000	3,000	8,000	4,000	4,000
= cash to carry forward	1,000	-1,000	-4,000	-9,000	-1,000	3,000

- 6 (f) June
- 7 (a) a cash-flow forecast, (b) a description of the type of business and its market, (c) details of market research carried out on the market
- 8 (a) the profit level will rise, (e) costs will fall
- 9 (b) independence, (d) doing a job she enjoys
- 10 (a) an increase in the price of seeds and seedlings, (c) a reduction in prices by competing local fruit and vegetable sellers

Topic 14 Customer needs and the marketing mix

(page 48)

- 1 (c) what they want
- 2 (b) activity
- 3 (a) a good
- 4 (d) a service
- 5 (c) product range
- 6 (d) changes in the market
- 7 (b) rise
- 8 (d) product range
- 9 (c) promotion
- 10 (c) distribution

Topic 15 Choosing a legal structure

(page 50)

The possible benefits to George and Harry include: more money, more expertise, different skills, shared workload, shared responsibility, cheaper and easier to set up than a company. These would earn AO1 knowledge marks. AO2 marks would be earned for an explanation and example for each, e.g. 'George and Harry could benefit because each could bring different expertise to the business, such as George's accountancy skills.'

Topic 16 Start-up legal and tax issues

(page 52)

- 1(a) Income tax is an amount paid to the government by each worker, based on the amount that he or she earns.
- (b) National Insurance contribution is the amount that both employers and employees pay in order to ensure that healthcare (through the NHS) and old-age pensions are available to all.
- 2(a) Companies must keep accurate records and make them available to the public. They must be registered at Companies House.
- (b) Companies must pay their own taxation (usually corporation tax) and are responsible for ensuring that employees are also taxed at the correct rate.
- 3 The only essential paperwork is that which records the income of the individuals involved, as this is used to determine tax. Other paperwork will always, of course, be of use!

Topic 17 Customer satisfaction

(page 54)

Information	Advice	After-sales	Ways to pay
accurate	accurate	delivery	cash
helpful	specialist	packaging	credit
clear	as required	guarantees	cards

Topic 18 Recruiting, training and motivating staff

(page 57)

1	financial	profit-sharing
2	further a career	training
3	maximum sales	prize
4	more responsibility	status
5	non-financial	praise
6	retail outlet	extra sales
7	service outlet	customer feedback
8	status	promotion

Section test: Making the start-up effective

(pages 57–58)

- 1 (c) what they want
- 2 (a) a good
- 3 (a) a narrow product range
- 4 (d) product range
- 5 (a) He wants to reduce the risk of personal loss. (e) He would only be liable for the amount he invested if the business failed.
- 6 (c) Customers will tell their friends about good service. (e) A small business needs customers to return for repeat purchases.
- 7 (c) To make sure they are paying the right levels of tax. (d) To make sure they are paying the right levels of National Insurance.
- 8 (d) There might be too few belts on the market. (e) The price of the belts would be likely to rise.
- 9 (b) politics
- 10 (a) Lowering their prices below those of the competitor. (e) Focusing on improving the quality of customer service.

Topic 19 Small businesses and commodity prices

(page 60)

Commodities are products like **crops** and **raw materials** that are basically the same wherever they are produced. Supply comes from **mining** and **extraction** companies and **agricultural** producers. Although there may be many producers, there will still be a single world **price** for a commodity. **Demand** comes mostly from large businesses that need to buy in huge amounts. These businesses must have the commodity or they will not be able to continue trading. For example, a cereal manufacturer must have supplies of wheat, barley and sugar. **Prices** are set by the interaction of **demand** and **supply** in international markets.

Topic 20 External economic influences: interest and exchange rates

(page 62)

- 1(a)** Payment will be made in euros.
(b) The amount to pay will be €909.
- 2(a)** Payment will be made in dollars.
(b) The amount to pay will be \$240,000.
- 3(a)** Payment to the holiday company will be made in pounds.
(b) The amount to pay will be £825.
- 4(a)** Payment will be made in dollars.
(b) The amount to pay will be \$32,000.
- 5(a)** Payment will be made in euros.
(b) The amount to pay will be €2,727.

Topic 21 External economic influences: business cycles

(page 64)

1	boom	high consumer spending
2	downturn	recession
3	high unemployment	bottom of a cycle
4	rising wages and prices	top of a cycle
5	upturn	recovery

Topic 22 The influence on stakeholders

(page 67)

- Stakeholders include Angie, the cinema, both sets of customers, the community and the council.
- The most obvious answer is to weigh up Angie versus the community, with Angie's increased trade and profit set against increased pollution, noise and inconvenience.
- This will be marked as 2 + 2 + 3, with 2 marks for each side of the argument — the convenience of customers, the way the cinema also benefits, Angie's profits and therefore increased taxation versus inconvenience, pollution and noise; and 3 marks for the justification of your decision.

Section test: Understanding the economic context

(pages 67–68)

- (a) sugar, (c) coffee
- (c) The interaction of buyers and sellers. (d) The operation of supply and demand.
- (b) many use commodities in their work
- (c) UK pounds sterling
- (c) £540
- (b) €600 or £480
- (a) of benefit to the importer, (c) a disadvantage to the exporter, (e) an advantage to the tourist
- (b) The business would see a fall in demand. (d) The business would see its sales slow down.

- 9 (b) \$15,384
 10 (e) Italian pasta makers

Practice exam

(pages 69–73)

AO1 marks are given for knowledge. All of Unit 1 is AO1 marks.

- 1 (b) he will be able to compete more effectively
 2 (b) more value for money
 3 (c) because small businesses needs loyalty
 4 (b) the buyer of the franchise
 5 (a) start-up costs
 6 (a) sole trader
 7 (a) to make a profit, (c) to achieve an ambition, (e) to be independent
 8 (c) a willingness to work hard
 9 (a) lack of demand, (d) staff who are not experienced
 10 (b) forward planning, (c) having a unique product, (d) good research

	July	August	September	October	November	December
RECEIPTS						
Revenue from sales	90	80	75	65	80	160
PAYMENTS						
Wages and salaries	20	20	20	20	20	20
Materials	20	20	20	20	30	30
Power and maintenance	10	5	5	10	10	10
Rent	20	20	20	20	20	20
Transport	10	10	5	5	5	10
Advertising	15	10	10	5	10	30
Total payments	95	85	80	80	95	120
Net cash flow	-5	-5	-5	-15	-15	40
Opening balance	25	20	15	10	-5	-20
Closing balance	20	15	10	-5	-20	20

- 12 (e) November
 13 (b) The business would see a fall in demand. (d) The business would see its sales slow down.
 14 (b) bank loan
 15 (c) mortgage
 16 (d) trade credit

- 17 (a) He wants to reduce the risk of personal loss. (e) If the business failed, he would only be liable for the amount he invested.
- 18 TWO pieces of key information that George and Ali needed to find out about customers through their market research were (a) what they would pay for the service, (b) how long they would wait while their cars were washed.
- 19 This is a narrow product range, so would lead to their business (d) being vulnerable to market changes.
- 20
- | | | |
|-----|--------------------------|--|
| (a) | discrimination | acting unfairly towards someone because of something over which that person has no control |
| (b) | entrepreneurs | those who take the risk of starting a business |
| (c) | fixed costs | those costs that do not vary with production, like rent |
| (d) | promotion | how a business tells customers that its product exists and tries to persuade them to buy |
| (e) | lateral thinking | approaching a problem from a different, often unusual, direction |
| (f) | limited liability | when liability is limited to the amount a shareholder invested |
| (g) | non-financial objectives | targets that are not money-related, like satisfaction and independence |
| (h) | profit | the surplus of revenue over costs |
| (i) | recession | when growth is either zero or negative for a period of time |
| (j) | gap in the market | where there is demand for a product but no product yet exists to fulfil that demand |

Unit 3 Building a business

Topic 23 Marketing and market research

(page 78)

- 1 (b) field research
- 2 (c) primary and secondary
- 3 (a) a focus group
- 4 (a) free
- 5 (a) reliable

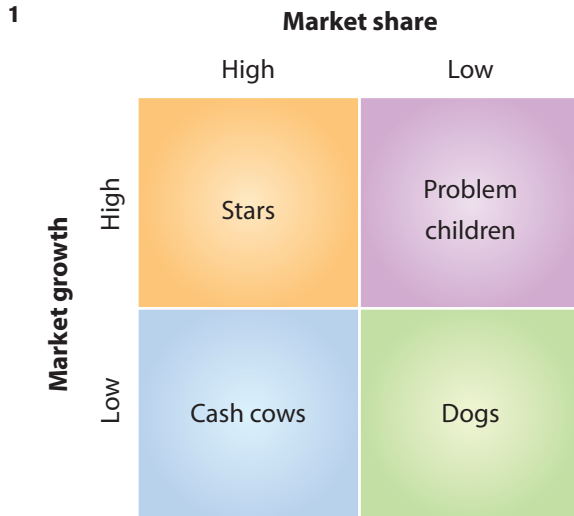
Topic 24 Building a successful marketing mix: product

(page 81)

- 1 ■ Launch — when the product is first offered for sale.
 - Growth — as sales grow, competitors will begin to think about bringing out rivals.
 - Maturity — many people have bought the product but there are also now competitors; promotion is still needed.
- 2 The product may need to be promoted during this phase, so the marketing technique used will be promotion and advertising.

Topic 25 Managing a brand: the Boston matrix

(page 83)



- 2 It is useful because it helps a business to know how products are performing, and plan accordingly.

Topic 26 Building a successful marketing mix: price

(page 85)

1	cost-plus pricing	setting price to cover the costs of a product
2	loss leaders	a price so low that it does not even cover its costs
3	mark-up	the percentage added to the cost plus price for profit
4	penetration pricing	an opening low price to gain market share
5	skimming	an opening high price for a new product

Topic 27 Building a successful marketing mix: promotion

(page 87)

A business should choose the **promotional mix** that is going to be most effective in its **target market**. This depends on the nature of the **market**, the type of **product** and how **competitors** react to increased promotion. Larger businesses can afford better **promotional techniques**, such as **sales promotions** like competitions and **joint promotions** with other businesses. They can also sell directly to customers through **websites**. They can afford **sponsorship** of well-known teams or events.

Topic 28 Building a successful marketing mix: place

(page 89)

Aroma Plus could gain from this in a number of ways. Distribution would be cheaper as less labour is involved and the website could reach a much wider range of customers. Direct sales reduce distribution costs, as they cut out wholesalers and retailers.

Disadvantages include the extra competition that would be faced by the franchises and the difficulty of dealing with overseas customers. There would also be additional expense from having to package the more fragile items.

Section test: Marketing

(page 90)

- 1 (c) questionnaires
- 2 (c) It is inexpensive
- 3 (b) how a product is performing
- 4 (c) the business concentrates on a few products
- 5 (d) branding
- 6 (c) aborted
- 7 (d) popularity
- 8 (b) cost plus mark-up
- 9 (c) not directly paid-for advertising
- 10 (b) long chain

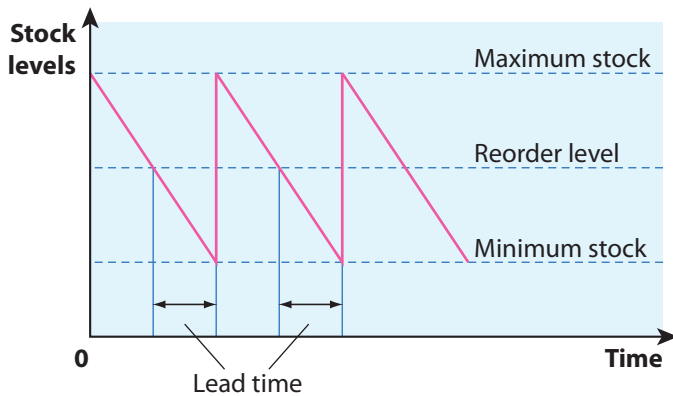
Topic 29 Research and good design

(page 92)

- 1 False
- 2 False
- 3 False
- 4 True
- 5 True
- 6 True
- 7 True
- 8 True
- 9 False
- 10 True

Topic 30 Managing stock

(page 94)



Topic 31 Managing quality

(page 96)

1	cost-effective production	keeping costs down so that the business is competitive
2	ISO 9001	an international standard of quality
3	kaizen	a system to ensure quality through continuous improvement
4	quality (to a business)	production with as few faults as possible
5	quality (to a consumer)	a product that does the job it is supposed to
6	quality assurance	a system that checks quality at all stages of the production process
7	quality control	a system to check that finished goods are perfect
8	TQM	a system where every person and business involved in production ensures quality

Topic 32 Customer service

(page 98)

Providing information	Giving advice	After-sales service	Providing convenient ways to pay
accurate	accurate	delivery	cash
helpful	specialist	packaging	credit
clear	as required	warranties	cards

Topic 33 Consumer protection

(page 100)

- 1 (c) fit for purpose
- 2 (b) guarantee when consumers are entitled to replacements or refunds
- 3 (a) let the buyer beware
- 4 (b) the British Standards Institute
- 5 (d) check all weights and measures to make sure that they are accurate

Section test: Meeting customer needs

(page 101)

- 1 (d) packing customers' bags
- 2 (c) providing convenient ways to pay
- 3 (b) accurate
- 4 (c) fit for purpose
- 5 (c) descriptions of products in advertisements must be accurate
- 6 (b) means that even suppliers should be part of the system
- 7 (d) let the buyer beware
- 8 (a) function
- 9 (c) It makes sure stocks are always there on time
- 10 (c) the British Standards Institute

Topic 34 Managing cash flow

(page 103)

(a)

	Cash in	Cash out	Balance
Opening balance	1,000		
January	1,000	7,000	-5,000
February	7,000	4,000	-2,000
March	1,000	500	-500
April	500	0	0
May	2,000	500	1,500
June	1,500	500	2,500

(b) The business should try to either spread its payments (£7,000 in January causes a 3-month cash deficit) or persuade people to pay earlier (£7,000 in February is not enough to remove the deficit). If the business is unable to do this, or reschedule other payments, it should negotiate an overdraft from the bank (AO2 marks).

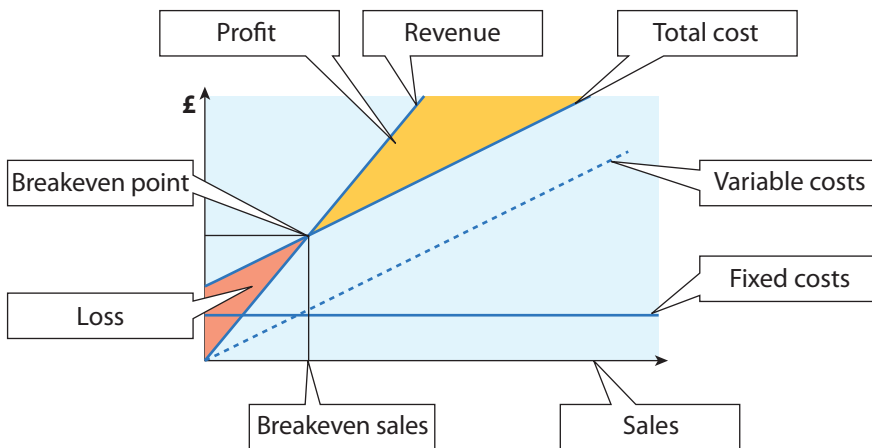
Topic 35 Improving profitability

(page 105)

- 1 False
- 2 False
- 3 True
- 4 True
- 5 True
- 6 True
- 7 False
- 8 True
- 9 False
- 10 True

Topic 36 Breakeven analysis

(page 107)



Topic 37 Financing growth

(page 109)

- 1 (c) assets
- 2 (a) internal
- 3 (a) internal
- 4 (b) external
- 5 (d) floating a company

Section test: Effective financial management

(pages 110–111)

- 1 (c) keeping any excess cash in a secure place on the premises
- 2 (d) sacking some of the labour force so that the rest have to work harder
- 3 (c) do not change with output
- 4 (a) price × number sold
- 5 (d) raw materials
- 6 (e) neither profit nor loss is made
- 7 (c) cash-flow forecast
- 8 (a) retained profit
- 9 (d) interest on a loan
- 10 (e) Variable costs are not as important to breakeven as fixed costs.

Topic 38 Organisational structures and management

(page 114)

1	authority	decision-making power
2	centralisation	decisions made by a few people
3	decentralisation	decisions spread throughout the organisation
4	delegation	the right to pass on authority to others
5	manager	a person with authority
6	organisational chart	diagram showing relationships in a business
7	span of control	the number of people for whom a manager is responsible
8	subordinates	those over whom someone else has power

Topic 39 Motivation

(page 116)



Topic 40 Remuneration

(page 118)

1	commission	an amount paid for increased sales
2	freelancer	a person who offers his or her services to businesses on a temporary basis
3	perks	benefits such as company cars, pension schemes and staff discounts
4	piece rate	an amount paid for the number of items made
5	remuneration	the way in which a worker is paid
6	time rate	an amount paid per period of time worked

Award yourself an extra mark for each good example you were able to give.

Section test: Effective people management

(page 119)

- 1 Three.
- 2 This means the breadth of someone's control. For example, the garage manager's span (three areas) is wider than that of the administration supervisor (two areas).
- 3 Time rate is where a worker is paid for the amount of time he or she spends in doing a job — usually 'per hour'. Piece rate is for the number of pieces produced or jobs done. This change is likely to benefit the business, as the team will be keen to wash and valet as many cars as possible. It could benefit the team as they can earn more money by dealing with more cars.
- 4 One of way using money would be to introduce bonuses for the staff. These could, for example, be linked to customer comment cards so that the staff member who got

the most favourable comments received the bonus. All staff could be rewarded with bonuses if a certain number of customers were attracted. This would encourage staff to recommend the garage. Bonuses could therefore bring benefits in increased revenue or customer satisfaction. The cheapest way to motivate staff not using money is the use of praise. This makes the staff feel better and work harder. John could also introduce perks such as staff discounts or other extras.

Topic 41 Ethical issues affecting business

(page 122)

- 1 Ethical constraints are those restrictions or drawbacks that society imposes on a business. It is the things that society thinks are 'right' or 'wrong'.
- 2 In the case of Royaume, its advertising should, first, be neither illegal nor offensive. The business should not make false claims for the products or use images or words to which people might take offence. This includes rude, offensive or religious images. The image to which Muslims took offence should be removed and changed for one that is not offensive. This should also have been checked before the image was used. Royaume should not claim that Zipfast shoes can help you run or recover faster unless there is scientific evidence to prove this. If there are, for instance, athletes who are happy to endorse the product, and say that it has had this effect on them, this would be allowed as an opinion, but to state such claims as fact is misleading, so the claims should be withdrawn.
- 3 Royaume may be unethical in making claims for its products that it cannot prove. It would be unethical for it to use religious symbols to promote products, but in this case, the use of such a symbol looks like a mistake rather than a deliberate attempt to do so.

Topic 42 Environmental issues affecting business

(page 125)

Businesses can bring both benefits and **disadvantages** to the **communities** within which they operate. Although businesses may provide jobs, they may also cause **social costs**, such as **pollution**.

Many businesses regulate themselves, to make sure that the bad effects of their business do not upset the **local community**. Often they include environmental targets in their **objectives**. The advantages of being **environmentally friendly** include greater **efficiency** and lower **costs**. There is also the increased custom due to having a better **reputation**.

Topic 43 International trade

(page 128)

- 1 (a) a visible export
- 2 (b) a subsidy
- 3 (d) an invisible export
- 4 (b) not be restricted by countries
- 5 (b) an invisible import
- 6 (d) lower population levels
- 7 (c) a visible import
- 8 (a) a tariff
- 9 (b) the emergence of new competitors, such as China
- 10 (a) the emergence of new markets

Topic 44 The impact of government and the EU

(page 131)

- 1 True
- 2 True
- 3 True
- 4 False
- 5 True
- 6 False
- 7 False
- 8 True
- 9 False
- 10 True

Section test: External influences on business

(pages 131–32)

- 1 (b) doing the right thing
- 2 (b) using cheap labour
- 3 (a) it improves their reputation
- 4 (c) BBC
- 5 (d) corporate social responsibility
- 6 (d) all of these
- 7 (c) visible imports
- 8 (d) 360 million
- 9 (b) European Union
- 10 (c) (i) and (iii) only

Practice exam

(pages 133–36)

AO2 marks are given for application and explanations. This usually means answering in the context of the business given, or using examples. A good way to make sure you earn these marks is to use words like 'because' and 'therefore'.

AO3 marks are for weighing up arguments, making decisions and making recommendations, backed by good reasoning.

Section A

- 1(a)** product portfolio (1 AO1 mark)
- (b)** Stars have a large market share in a fast-growing market — they may have been first into a blue-sky market. They need large marketing expenditure to keep them competitive (2 AO2 marks).

Problem children have a small market share of a fast-growing market and could provide high future profits (2 AO2 marks).

Cash cows have a large market share of a mature or slow-growing market (2 AO2 marks).

Dogs are products with a small share of a slow-growing market (2 AO2 marks).

- (c)** It is useful because it helps a business to know how products are performing, and to plan accordingly. For example, a star could, with marketing support, be turned into a cash cow (3 AO3 marks).

- 2(a)** qualitative research (1 AO1 mark)
- (b)** Repeat purchases mean that the customer has bought from the business before. It is a lot cheaper to retain customers, who are loyal, than to attract new customers (3 AO2 marks).
- (c)** Usually, there are no marks for making the choice. The marks are gained for the reasons that you give to back your choice. Examples could be:

Providing a 'buy three products and the lowest-priced one is free' offer — this will encourage customers to buy more products, give them greater value for money and make them more loyal. However, it could prove costly and reduce profits.

Selling other products such as cat and dog flaps and birdcages — this could appeal to a wider market and bring in new customers, who then may also buy from the original product range. However, some of these products may be bulky and expensive to deliver.

Providing a 'satisfaction or your money back' guarantee — this will increase customer value and loyalty but could prove expensive if goods are not of a quality standard.

Providing a monthly newsletter to customers — this increases customer value, helps to keep customers loyal and acts as a way of promoting particular products. However, it could be expensive to produce and distribute (4 AO2 marks, 4 AO3 marks).

- 3(a)** loss leader (1 AO1 mark)
- (b)** It will attract a different market segment, so could lead to White's having a greater market share. The business will also be able to sell other items, which are profitable, if customers come into the shops to buy the loss leader (1 AO1, 2 AO2 marks).
- (c)** White's could extend its product range, lower prices or use promotional prices, use more advertising and promotion, and/or extend its distribution network (4 AO2 marks).
- 4(a)** time rate (1 AO1 mark)
- (b)** This gives her greater flexibility, so that more staff are available when the salon is busier. It might also help her to keep costs down by only using the staff that she needs (3 AO2 marks).
- (c)** If the staff are motivated to work hard, they will be more efficient. Greater efficiency means lowers costs and also possibly higher revenues if new customers are attracted or existing customers return (4 AO3 marks).

Section B

- 5(a)** Breakeven is the point where revenue from products sold is equal to the costs of making those products (3 AO1 marks).
- (b)** Jayne can use breakeven for 'what if?' scenarios involving changes in price, changes in revenue, changes in fixed costs, changes in variable costs and changes in forecast sales. These can all help the business in its planning (4 AO2 marks).
- (c)** Revenue per scarf is £25 – £15 variable cost = £10.

Contribution: £20,000/£10 = 2,000.

The 8 AO2 marks are awarded as follows: 25 (1) minus (1) 15 (1) = 10 (1); 20,000 (1) divided by/over (1) 10 (1) = 2,000 (1).

- (d)** Revenue per scarf is £20 – £15 variable cost = £5.
Contribution: £20,000/£5 = 4,000.

The 5 AO2 marks are awarded as follows: $20(1) - 15(1) = 5(1)$; $20,000$ divided by/over $5(1) = 4,000(1)$.

Note that there are fewer marks for this question as some of the calculation is repeated from above.

- (e) Jayne could make any of her factors of production work more efficiently. This could mean her working harder, or faster, or the same quality silk being sourced for a lower price. Any move that they can make to increase revenue or decrease cost would improve profitability (2 AO2 marks, 2 AO3 marks).
- 6 This is because customers are buying the scarves for reasons other than function. They are buying them because they are well designed, fashionable and desirable. These are part of the aesthetic of the scarves. The aesthetic is a stronger reason for buying a fashion item than its function (6 AO3 marks).

Section C

- 7(a) Carbon footprint is the amount of carbon released (and therefore environmental damage caused) through an activity (2 AO1 marks).
- (b) Getafone could reduce its carbon footprint by any four of:
 - recycling paper and packaging, and using recycled paper for packaging
 - only using timber from sustainable forests
 - fitting pollutant controls (such as smoke filters) wherever possible
 - using 'green' fuels in transport
 - fitting pollution reduction devices such as catalytic converters
 - energy-saving policies such as lighting systems that switch on and off only when areas are in use (4 AO2 marks, 4 AO3 marks)
- (c) It does not matter which way you recommend. The marks are for the reasons that you give for the recommendation. These should be linked, in this case, to a company selling high-tech products. For example, Getafone could ensure that all its phones are packaged in a minimal amount of packaging, all of which will easily recycle (e.g. paper rather than plastic) (6 AO3 marks).
- 8(a) Emerging nations should benefit from more employment and by getting fairer prices for the goods they produce. This should raise living standards.

The disadvantage to emerging nations is that they may have to change domestic laws and practices to fit in with the rest of the world. This can be expensive and culturally damaging. The expansion in trade may also damage the environment.

- (b) Established trading nations gain a good reputation but this is of little use unless it also brings increased profits.

They may cause damage to their own industries by letting emerging nations compete openly (2 AO2 marks, 2 AO3 marks).