

Mark Scheme (Results)

Summer 2019

Pearson Edexcel International Advanced Subsidiary
In Business (WBS11)
Unit 1 Marketing and people

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Summer 2019
Publications Code WBS11_01_1906_MS
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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Question	Marks
1(a)	**Knowledge 2** Up to 2 marks for defining the term 'qualitative research', e.g. • Market research collected **(1)** relating to the opinions and beliefs of consumers **(1)**.	**(2)**

Question Number	Question	Marks
1(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS2:** calculate, use and understand percentages and percentage changes **QS7:** interpret values of price and income elasticity of demand. **Knowledge** 1 mark for identifying the formula for PED: • % change in quantity demanded / % change in price **(1)**. **Application** Up to 2 marks for selecting the correct data: • 150,000 - 120,000 / 120,000 = 25% **(1)** / –10% **(1)**. **Analysis** 1 mark for calculating the price elasticity of demand: • -2.5 **(1)**. **NB: Award 4 marks for correct answer -2.5** **Award 3 marks for 2.5**	**(4)**

Question Number	Question	Marks
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining primary research, e.g. • New research **(1)** that is specific to the business needs **(1)**. **OR** For giving two methods, e.g. • Surveys/questionnaires **(1)**. • Focus groups/consumer panels **(1)**. **Application** Up to 2 marks for answers contextualised to *Superdry*, e.g. • Direct feedback from customers will help *Superdry* identify consumer needs, such as a more feminine range of clothes **(1).** • Focus groups will help provide qualitative data on *Superdry* products, such as the need for quality not price **(1).** **Analysis** Up to 2 marks for reasons / causes / consequences for *Superdry,* e.g. • By responding to consumer needs *Superdry* is likely to sell more clothes and remain competitive **(1).** • As a result *Superdry* can maintain premium prices for quality clothes **(1).**	**(6)**

Question Number	Indicative Content
1(d)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **QS8** Use and interpret quantitative and non-quantitative information in order to make decisions **Knowledge, Application, Analysis, Evaluation – indicative content** • Profit sharing is a form of financial incentive given to employees, where part of the profit of the business is shared amongst the employees. • *Superdry* launched a three-year profit share scheme for the 4,500 employees worldwide. Employees are awarded a share of the profit depending upon their job role in the company. • Employees may receive between £2 000 and £300 000 in addition to their salaries. • Motivation levels of the employees are likely to be high because of the extra financial gain they get if company is profitable. • It shows the employer regards the employees as being important to the business. This will also help to motivate the workers at *Superdry* to improve their productivity. • However, employees lower in the hierarchy may feel less motivated than those higher in the organisation, as they get a lower amount of profit share. • The amount offered to full time shop employees is only £2 000 compared to a shop manager who receives £28 000. This may demotivate employees who feel the scheme is unjust. • Not all employees are motivated by financial incentives. Non-financial incentives may be more important to some employees at *Superdry.* • As there is no guarantee that *Superdry* will make a profit over the three-year plan, employees may not change their working habits and motivation may not change.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors.

Question Number	Indicative Content
1(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • The Boston Matrix is a method of portfolio analysis based on market share and market growth. • It categorises products into cash cows, dogs, stars and problem children (question marks). • It can be used to analyse the current portfolio of products to help with future strategies and growth. Cash from mature products such as t-shirts and hooded tops can be used to fund new clothing ranges such as the snow range to increase revenues. • As market share may be gained through investment in marketing, the matrix helps to focus on a promotion strategy of new ranges and designs to increase sales. • It will help in the decision making regarding clothing ranges that are regarded as dogs that should be discontinued. • However, it is only a snapshot of the current product portfolio. It has little or no predictive value and does not take account of external factors such as competitors and changes in fashion in the industry. • Just because products are categorised as dogs does not mean they must be removed – perhaps they still generate acceptable levels of revenue. • The Boston Matrix cannot be used in isolation and must consider other external and internal factors to help *Superdry* make important decisions on its product portfolio. • Product life cycle may be a better method of portfolio analysis as it takes account of life span of products which is an important element in the fashion industry.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–7	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	8–10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors, leading to a supported judgement.

Question Number	Question	Marks
2(a)	**Knowledge 2** Up to 2 marks for defining the term 'online retailing' e.g. The sale of goods and service **(1)** using the internet **(1)**.	**(2)**

Question Number	Question	Marks
2(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS9** Interpret, apply and analyse information in written, graphical and numerical forms **Knowledge** For giving one reason, e.g. • More consumers are changing their buying habits and buying groceries online **(1)**. **Application** Up to 2 marks for answer contextualised: • Revenue from online sales increased from £680m to £1 258m **(1)**. • Deliveries increased 92% between 2012 and 2016 from 120,000 orders a week to 230,000 per week **(1)**. **Analysis** Up to 1 mark for reasons / causes / consequences for *Ocado,* e.g. • This has led to more orders for *Ocado* and increased revenue.	**(4)**

Question Number	Question	Marks
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining cost efficiency, e.g. • Is minimising costs/expenses/waste **(1)** when producing a product or service **(1)** **OR** For providing two advantages of cost minimisation, e.g. • Lower operational costs **(1)** • Increased profit margins **(1)** **Application** Up to 2 marks for answers contextualised to *Ocado*, e.g. • The grocery market is very price competitive **(1).** • Online grocery represents approximately 6% of the UK grocery market and predicted to grow to 9% by 2021 **(1).** **Analysis** Up to 2 marks for reasons/causes/consequences for *Ocado*, e.g. • This may lead to *Ocado* offering lower prices to consumers to gain increased market share **(1)**. • Increased profits will allow *Ocado* to expand and continue its present rate of growth **(1).**	**(6)**

Question Number	Indicative Content
2(d)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • Added value is the increase in value that a business creates when producing a product/service. It is the difference between the price of product and the cost of the inputs involved in providing it. • *Ocado* have added value through the product features and benefits such as colour-coded bags, hourly delivery times. • *Ocado* have added value by offering convenience as customers can use their mobile devices to buy the grocery online. This has led to a significant increase in turnover for *Ocado*. • Offering a service with benefits such as colour code bags and reminder texts with the driver's name, may differentiate it from competitors and attract more customers. *Ocado* have seen a significant increase in orders between 2012 and 2016. • A firm that is adding substantial value, in theory, must also be operating profitably as the selling price is greater than the costs of making the product. • However, building the brand is expensive and may mean high investment. *Ocado* has developed its own in-house technology to operate the business which may lead to higher prices or lower profit margins in the short term. • The product features of packing colour-coded bags and sending texts to customers may increase costs to *Ocado* which may increase prices and deter customers from using the service. • Offering a choice of delivery times may mean that some delivery vehicles are not being fully utilised at certain hours of the day, which reduces capacity utilisation and increases average costs.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors.

Question Number	Indicative Content
2(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • Place is one of the four elements of the marketing mix. The other three elements are price, promotion and product. • Place is where the product can be purchased and is also the process of making a product or service available to the consumer. • *Ocado* sells food products on the internet providing convenience for consumers. The shopping is sent from its warehouses directly to customers in its fleet of delivery vans. • A USP of *Ocado* is that it offers hourly delivery times to consumers. It is important that delivery is made on time to its customers who have specified a particular time of the day. In 2016 on-time deliveries fell from 95.3% to 94.9% which could impact repeat use of the service. • *Ocado* sell and deliver perishable goods. It is therefore important that delivery is efficient so that food is fresh and good quality when delivered to customers. • However other aspects of the marketing mix: place, price and promotion are equally as important to the success of *Ocado*. • The grocery market is highly competitive, and the price of the food and delivery charges must be competitive in order to compete with other grocer retailers. • Product range must be extensive and cover the brands that would be found in other supermarkets. Quality of the food delivered must be high in order to gain repeat purchase. • *Ocado* must ensure that its target audience is aware of the service using promotional methods suited to its audience. • Whilst place is crucial to the success of an online retailer, all elements of the marketing mix are equally importance to ensure the service succeeds in the long term.

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	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–7	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	8–10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors, leading to a supported judgement.

Question Number	Indicative Content
3	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • Function relates to the quality and reliability of a product. Cost of manufacture relates to whether the design allows the product to be made and sold profitably. Aesthetics relates to the appearance of the smartphone. • Functions of the smartphones are being continually developed and therefore *Samsung* and other suppliers must ensure they keep up to date with the latest technological advancements in order to compete. • Mobile phones are seen, by many people, as a necessity and therefore functions such as sending emails, using internet applications as well as making calls as important features to users. • *Samsung* suffered a problem with the function of their Galaxy Note 7 phones which were reported to catch fire in the hand of users. This is obviously a major concern to *Samsung* and could impact customer loyalty. • The quality of the phones are so good that customers do not need to change phones as often. This has meant the emphasis on function has in fact limited repeat sales for *Samsung* and others in the industry. • Price has become an important factor in the smartphone market. Price is determined, to some extent, by the cost of manufacturing the phones. • *Oppo* and *Vivo* have increased market share by selling phones at $250 due to lower manufacturing costs. It is important that market leaders *Samsung* and *Apple* are able to maintain their market share which may mean reducing cost of manufacture. • One reason *Samsung* have performed well is because they offer a range of phones at different prices. Price is therefore more important than functionality to some consumers. Therefore, the cost of manufacture for some ranges of their phones is important to keep prices low. • It is important that the emphasis on cost of manufacture does not impact the quality of the smartphones and result in similar problems to the one experienced by *Samsung* and their Galaxy Note 7 products. • Aesthetics can also be important because the look of the phone is a main selling point to some consumers. • Consumers will want their mobile phone to be easily recognisable and a status symbol.

	• Aesthetics is often important to reinforce brand image and enable premium prices to be charged. • All elements of the design mix are important and must complement each other in the design process. As some businesses in the industry are introducing a cheaper range of phones, this may indicate manufacturing costs are important in order to reduce prices to consumers.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect causes and/or consequences.
Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.

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