CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Case Study **October/November 2024**

MARK SCHEME

Maximum Mark: 100

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>

Analyse <u>two</u> threats to AFF from changes in its external environment.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Note:
- Only reward threats.
- If more than two threats are referred to, reward the best two.

All annotation (K APP AN L2) should be in the left margin.

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**AO1 Knowledge and understanding** Definition of external influences (max K1) might include: • External influences are outside the control of the business and act as both a constraint and an enabler for FWB's activities. • External influences may include economic, political, legal and social factors. Knowledge of threats from external influences might include (max K2): • Increased running costs due to inflation and wage increases • Demand changes due to demographic change, such as more demand from older consumers • Demand changes due to social factors such as changing consumer trends **AO2 Application** *Limited application,* APP *applies knowledge to AFF once.* *Developed application,* APP + APP *applies knowledge to AFF twice.* *Max one* APP *for application for the first external influence/threat and max one* APP *for application for the second external influence/threat.* • Inflation: Price rises will lead to increasing costs, such as power, gym equipment and possible pressure on wages of instructors and other employees • Higher legal minimum wage will affect lowest paid, for example gym and equipment cleaners • Gym membership and fitness classes are luxury goods • Ageing population may mean traditional fitness class target market decreasing • Key objective is increasing returns to shareholders (so profitability important) **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis OR offers a two-sided analysis* • Increasing costs will lead to the need to increase membership and other prices, may lead to lower demand AN and decreases in total revenue L2 AN dependent on PED • Consumers may find (real) incomes decreasing, will concentrate on buying essentials and cutting down consumption of luxuries such as gym memberships, leading to falling demand AN and decrease in total revenue and profit L2 AN	

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Question	Answer	Marks
1	• Fitness factories have high fixed costs, falling demand may lead to decreasing demand AN and falling profits L2 AN very quickly • Ageing population may mean some changes to product, maybe more yoga or fitness classes targeted at older people, change to marketing mix may increase costs AN leading to lower profits especially in the short term L2 AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>

Analyse <u>two</u> benefits to AFF of recruiting a new CEO who has a high level of emotional intelligence.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Note:
- Only reward benefits.
- If more than two benefits are referred to, reward the best two.

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**AO1 Knowledge and understanding** Definition of emotional intelligence (max K1) might include: • Goleman's four EI competencies, self-awareness, social awareness, self-management and social skills • EI – the ability to recognise and understand your own feelings and those of others • References to empathy with subordinates, and similar statements that clearly show understanding Knowledge of benefits of emotional intelligence might include (max K2): • Better relationships with subordinates • Better management of own feelings, leading to consistency of approach • Good understanding of the needs of customers **AO2 Application** *Limited application,* APP *applies knowledge to AFF once.* *Developed application,* APP + APP *applies knowledge to AFF twice.* *Max one* APP *for application for the first external influence/threat and max one* APP *for application for the second external influence/threat.* • Rosa and Rachel believe in supporting and training employees, so are likely to be empathetic to their needs • Training customers in fitness and yoga essentially requires an understanding of customer's feelings and needs • Effective teamwork at each of the fitness factories will need different types of employees to understand each other, for instance the teams that set up equipment and the instructors • Help in solving quality problems at AFF **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis OR offers a two-sided analysis* • If the new CEO is self-aware and self-motivated, they will understand their own feelings and have a consistent approach to leadership, which will motivate the teams in the fitness factories, AN leading to greater productivity L2 AN • If the new CEO has good social awareness they will understand the needs of employees, perhaps for training and advancement and also customers, leading to more members of the fitness factories AN • Social skills are essential in the management of employees, for instance in terms of how changes may be communicated. Customers will also react more favourably leading to higher sales. AN	

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Question	Answer	Marks
2	• All the EI competencies can be communicated and trained from the 'top down' from the new CEO, leading to a happier workforce and greater customer satisfaction AN, leading to better member retentions and higher revenue. L2 AN • Possibly lower labour turnover, reducing recruitment and training costs. Accept all valid responses.	

Question	Answer	Marks
3(a)	**Refer to line 29. Calculate the forecast change in sales for pay as you go fitness classes if average incomes decrease by 6%.** **Indicative content** Responses may include: YED = % change in quantity demanded / % change in income **OR** 2.5 = % change in quantity demanded / –6 **OR** % change in Qd = –6 × 2.5 (1 mark) = -15% (2 marks) If incomes decrease by 6% then demand may decrease by 6 × 2.5 = 15% (2 marks) Answer of 15% without indicating it is a decrease (1 mark)	**2**

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Question	Answer	Marks
3(b)	**Refer to lines 24–28. Calculate the promotional elasticity of demand for annual membership of AFF.** Promotional elasticity of demand = % change in quantity demanded / % change in promotional spending **OR** Percentage change in promotional spending = 20% **OR** Pr ED = 15% / 20% (1 mark) = 0.75 (2 marks)	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Evaluate which element of AFF’s coordinated marketing strategy is most important.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	**AO1 Knowledge and understanding** • Marketing strategy includes marketing objectives, budget, research and co-ordinated marketing mix. • CRM includes a focus on retaining existing customers as this is often easier and cheaper than continually attracting new ones • Market research as part of the marketing strategy, investigating changing needs and wants of customers **AO2 Application** *Limited application,* APP *applies knowledge to AFF once.* *Developed application,* APP + APP *applies knowledge to AFF twice.* *Max one* APP *for application for the first external influence/threat and max one* APP *for application for the second external influence/threat* • Each fitness factory has a group of full members who pay $2500 per year and whose participation in fitness sessions can easily be tracked and who can be easily contacted. • The 'pay as you go' customers can also be encouraged to set up accounts. • Additional information about customer requirements can be collected when they visit in person or book via the App. • The Pr Ed for annual membership customers is relatively inelastic as indicated by the response to higher promotional spending. • Marketing objective is to increase number of members of its fitness factories. • Changing customer needs, ageing population may need different fitness classes. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis OR offers a two-sided analysis* • Keeping existing loyal customers happy by meeting their needs will guarantee regular income from this group AN and once the yearly fee is paid, they are likely to stay with the business, making revenue more predictable and planning easier. • Price will have a significant impact on AFF's ability to attract and retain members as it is a competitive market so if price is not competitive members will go elsewhere AN as substitutes are available and membership will decline L2 AN . • The product including availability of different classes is important as this can attract members and non-members who follow the latest fitness class trends AN and if the product doesn't meet changing customer expectations AFF will lose members L2 AN.	

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Question	Answer	Marks
3(c)	• It may be possible to convert pay as you go customers to full membership, using effective personalised promotion, such as free sessions with personal trainers AN. • CRM will be important but wider market research will also enable AFF to spot trends in fitness and exercise classes AN , leading to 'first mover advantage' if they are proactive in new product development L2 AN. • Although demand is promotion inelastic, promotion is important to raise awareness of AFF's changing offer of fitness classes and therefore attract new customers AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Overall supported judgement as to the most important element of the marketing strategy and the factors that will influence importance – The degree of competition in the market will impact the price elasticity of demand. – The extent to which the product can be differentiated from that of competition. – How quickly the market changes – Fitness is a very dynamic market, need to be quick to introduce new products to meet changing trends. – The cost of CRM v the cost of attracting new customers. – The significance of market research to understanding consumers and the market as a basis for determining the best marketing strategy. • Data on existing customers is important, but attracting new customers, such as those who have never thought of consuming this type of service is equally important. Accept all valid responses.	

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Question	Answer	Marks
4(a)	**Refer to Table 1.1. Calculate the change in the dividend yield between 2022 and 2023.** Dividend yield = dividend per share / market price per share × 100 (1 mark) 2022 = 3/40 × 100 = 7.5% (2 marks) Change = 5.7 – 7.5 (3 marks) = –1.8 percentage points (4 marks) Accept –1.8% **OR** The dividend yield has decreased by 1.8 / 7.5 × 100 = 24% (4 marks)	**4**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate whether shareholders should be satisfied with AFFs financial performance in 2023.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	**Table 1.1 Financial data for AFF**	

	2023	2022
Revenue ($m)	27	25
Operating profit ($m)	1.4	1.5
Non-current liabilities ($m)	20	20
Shareholders' equity ($m)	72	70
Total dividend paid ($m)	0.4	0.5
Dividend per share ($)	2	3
Share price (at year end) ($)	35	40
Dividend yield (5)	5.7	

AO1 Knowledge and understanding

- Shareholder – a person who has bought shares and owns part of AFF, whose objective is to receive a good return on their investment in the short and long term.
- Dividend – a shareholder's part of the profit of AFF.
- Dividend yield – dividend per share as a % of current market price of share
- Financial performance ratios, such as profit margin
- Other shareholder ratios

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Question	Answer	Marks
4(b)	**AO2 Application** *Limited application,* APP *applies knowledge to AFF once.* *Developed application,* APP + APP *applies knowledge to AFF twice.* *Max one* APP *for application for the first external influence/threat and max one* APP *for application for the second external influence/threat* • Reference to answer to (a) fall in dividend yield of 1.8% as well as fall in share price of $5 • Increase in revenue $2m but decrease in profit $0.1m • Gearing steady around 22% (21.7% in 2023) • Profit margin has decreased from 6% to 5.2% • External environment and its impact on financial performance: – Increase in inflation – Increase in minimum wage – Ageing population **AO2 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis OR offers a two-sided analysis* • Sales are increasing which may suggest future growth AN, and this could result in higher profits and dividends thus pleasing shareholders • Shareholders may have expected a decrease in profits due to inflation in the economy increasing AFF's costs AN so may be satisfied with current levels of profitability L2 AN • Gearing is low and steady at 22%, there is potential for the company to borrow in order to grow AN , so this may be encouraging in the longer term and shareholders may be prepared to wait for higher returns L2 AN. • The falling share price and dividend yield may be a reason for shareholders to look unfavourably on this investment and sell their shares AN	

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Question	Answer	Marks
4(b)	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Attitude of shareholders will depend on whether they are investing for short or long term • Impact of share price fall may depend on how much shareholders paid at the start • Financial performance judgement needs more evidence, such as more previous years and also comparison with similar businesses • Will financial objectives change with new CEO? • What other objectives may be important to shareholders that could make them less sensitive to small changes in financial performance? • Overall supported judgement Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate whether total quality management (TQM) is the best way to solve the problem of AFF's customer complaints.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
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<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
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<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	**Note:** This is not about the benefits to AFF of reducing quality problems. It is about whether TQM achieves this outcome effectively and in a better way than other approaches such as paying employees more or using permanent contracts or using hard HRM. **AO1 Knowledge and understanding** • TQM – an approach to quality that involves all members of the organisation taking responsibility for the quality in their part of the production process • The concept of the next person in the production process being treated as an 'internal customer', whose needs must be satisfied • TQM needs culture change in organisations in order to be successful. • Alternatives to TQM: – Changing contracts. – Incentives for improved services. – Disciplinary action for employees not meeting expectations. **AO2 Application** *Limited application,* APP *applies knowledge to AFF once.* *Developed application,* APP + APP *applies knowledge to AFF twice.* *Max one* APP *for application for the first external influence/threat and max one* APP *for application for the second external influence/threat* • Quality problems include unclean facilities, classes starting late and broken equipment, causing customer dissatisfaction. • Currently quality checking is on an informal basis, due to the nature of the different classes and activities. • Employees such as fitness instructors are employed on short-term contracts so probably only arrive for their classes. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis OR offers a two-sided analysis* Advantages of TQM: • Through Kaizen groups employees will be empowered to suggest changes to improve service and quality, therefore employees may be more motivated resulting in lower labour turnover AN and therefore improving relationships with customers leading to a reduction in customer complaints L2 AN.	

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Question	Answer	Marks
5	• Employees will receive further training when TQM is introduced and therefore they will be better able to complete work to the required standard AN which will reduce the number of complaints L2 AN. • Giving greater responsibility to instructors and cleaners will improve motivation AN and this result in working to a higher standard thus solving problems around cleanliness and classes starting on time L2 AN. Disadvantages of TQM • TQM requires employee training and therefore there will be an increase in training costs to TC AN and the increased cash outflows may result in liquidity issues L2 AN (acid test ratio already low). • Culture change will incur costs and employees may leave increasing recruitment costs AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* Judgement as to whether TQM is the best way to solve customer complaint problems. • TQM may work if all types of employees, from cleaners to fitness instructors to managers take responsibility for the quality of their work, which will lead to fewer customer complaints. • TQM may work if all employees are trained in the concepts and treat other employees at the next stage of the operations process as internal customers who they need to satisfy by meeting quality standards • If TQM is successfully introduced, this should lead to less customer complaints and bad reviews • TQM may be difficult to introduce due to the employees on short-term contracts having less commitment to AFF, they could be the 'weak link', leading to less impact on complaints. • Some problems may have other causes, such as classes starting late may be due to transport problems out of the control of AFF. • Is AFF ready for the culture change that will be required for successful introduction of TQM? • Is there the budget and the interest in training and involving all employees in this way? • The new CEO will need the ability to manage the necessary changes and sell these to employees. • Supported judgement as to whether TQM is most suitable approach. Accept all valid responses.	

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