GCSE
BUSINESS
8132/2

Paper 2 Influences of marketing and finance on business activity

Mark scheme

June 2019

Version: 1.0 Final

196G8132/2/MS

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from aqa.org.uk

Copyright information

For confidentiality purposes acknowledgements of third-party material are published in a separate booklet which is available for free download from www.aqa.org.uk after the live examination series.

Copyright © 2019 AQA and its licensors. All rights reserved.

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

Section A

Total for this section: 20 marks

Multiple Choice Questions

Question Number	Answer
1.1	C
1.2	D
1.3	C
1.4	C
1.5	B
1.6	D

01.1 – 01.6 = AO1 × 6 **[1 mark for each correct answer]**

1.7	Identify **two** methods of sales promotion. **[2 marks]**

Marks for this question: AO1 - 2 marks

1 mark for each correct method identified up to a maximum of 2 marks.

Answers may include:

- Point of sales displays
- 2 for 1 offers/BOGOF
- Free gifts
- Samples
- Coupons/vouchers
- Competitions
- Discounts/price reduction
- Loyalty cards

Markers note
Do not accept any methods of advertising or other promotional methods.
Mark two correct methods anywhere in the students' response.

1.8	Identify **two** ways a market can be segmented. **[2 marks]**

Marks for this question: AO1 - 2 marks

1 mark for each correct method identified up to a maximum of 2 marks.

Answers may include:

- Gender
- Age
- Location/geographical/area/place
- Income
- Nationality e.g. race or culture
- Religion

Markers note
Mark two correct ways anywhere in the students' response.

1.9	Explain **one** reason why businesses prepare financial statements. **[2 marks]**

Marks for this question: AO1 - 2 marks

1 mark for knowledge of why businesses prepare financial statements and 1 mark for explaining the reason.

Answers may include:

- Assess business performance e.g. determining if it has made make a profit, comparison of data
- Help make business decisions e.g. setting targets/aims and objectives
- Legal requirement
- To attract investors
- Obtaining finance

Example of a developed answer
To assess business performance (1) so that potential investors can judge what their returns are likely to be (1)

1.10	Explain **one** reason why sales growth begins to slow down in the maturity stage of the product life cycle. **[2 marks]**

Marks for this question: AO1 - 2 marks

1 mark for giving a reason and 1 mark for some development.

Answers may include:

- High levels of competition
- Market saturation
- Less advertising
- Product no longer in fashion/new version being developed

Example of developed answer
There are higher levels of competition (1) taking customers away from the business. (1)

1.11	Explain **one** reason why a business would choose to expand. **[2 marks]**

Marks for this question: AO1 - 2 marks

1 mark for giving a reason and 1 mark for some development.

Answers may include:

- Lower unit costs/economies of scale
- Increase market share
- Reduce competition
- Improved status/recognition
- Increase profit
- Increase sales

Example of developed answer
If a business expands it will mean goods are bought in larger quantities (1) therefore the business can benefit from purchasing economies of scale (1).

1.12	State and explain **two** factors that influence the choice of location for a business. **[4 marks]**

Marks for this question: AO1 - 4 marks

1 mark for knowledge of a factor of location and 1 mark for explaining the factor of location × 2

Answers may include:

- Proximity to the markets
- Size of market
- Passing trade/footfall
- Access to/Availability of raw materials
- Labour
- Competition
- Costs/price
- Transport
- Government incentives
- Environmental/ethical factors

Example of developed answer
Labour (1) skilled labour to recruit workers may be more available in some areas (1).

Markers note
Mark two correct factors anywhere in the students' response.

Section B

Total for this section: 35 marks

2.1	Calculate the maximum revenue that STS could earn in one week. Show all workings. **[3 marks]**

Marks for this question: AO2 - 3 marks

£5 040 (3)

Method 1

Number of lessons per gym = 14 × 8 = 112 (1)

Revenue per gym = 112 × £9 = £1 008 (1) OFR

Max revenue = 1008 × 5 = £5 040 (1) OFR

Method 2

Total number of classes =5 × 14 = 70 (1)

Total number children = 70 × 8 = 560 (1) OFR

Max revenue = 560 × £9 = £5 040 (1) OFR

Method 3

Revenue per class = £9 × 8 = £72 (1)

Revenue per pool = £72 × 14 = £1008 (1) OFR

Max revenue = £1008 × 5 = £5 040 (1) OFR

Method 4

Revenue per class = £9 × 8 = £72 (1)

Total number of classes = 5 × 14 = 70 (1) OFR

Max revenue = 70× £72 = £5 040 (1) OFR

2.2	Analyse **one** effect of the increase in interest rates on STS. **[6 marks]**

Marks for this question: AO2 - 3 marks AO3 - 3 marks

Level	Marks	Description
3	**5 - 6**	**Detailed analysis of topics based on the context** • Business areas are fully analysed. • Applies knowledge and understanding to the context sufficiently.
2	**3 - 4**	**Sound analysis of topics based on the context** • Business areas are partially analysed. • Applies some knowledge and understanding to the context.
1	**1 - 2**	**Basic analysis of topics based on the context** • Basic analysis of business areas. • Basic knowledge and understanding is applied to the context.
0	**0**	Nothing written worthy of credit.

Answers may include:

Application:
- STS currently relies on an overdraft to pay employees – increase in interest on borrowing from the bank
- STS financed using a bank loan
- Jade has plans to expand STS

Example of developed answer
Interest is the cost of borrowing money. The increase in interest rates will make it more expensive for Jade to repay her overdraft which she relies on. As she uses this to pay employees each month she may find she is using the overdraft for longer and this will add to her already high costs and make it harder to repay over time. This could mean she has to stop using the overdraft and this could lead to instructors leaving if they are not paid and sales will fall due to lessons being cancelled.

2.3	Jade is considering changing the legal structure of STS from a sole trader to a private limited company (Ltd). Advise Jade whether this is a good idea. Give reasons for your answer. **[9 marks]**

Marks for this question: AO2 - 3 marks AO3 - 6 marks

Level	Marks	Description
3	**7 - 9**	**Detailed analysis and evaluation of topics based on the context** • Sustained line of reasoning, which is coherent, relevant, substantiated with a focused conclusion that is fully justified. • Business areas are fully analysed. • Applies knowledge and understanding to the context sufficiently.
2	**4 - 6**	**Sound analysis and evaluation of topics based on the context** • A line of reasoning, with a conclusion that has some justification. • Business areas are partially analysed. • Applies some knowledge and understanding to the context.
1	**1 - 3**	**Basic analysis and evaluation of topics based on the context** • Basic line of reasoning with a conclusion. • Basic analysis of business areas. • Basic knowledge and understanding is applied to the context.
0	**0**	Nothing written worthy of credit.

Indicative content:

Application	Analysis/evaluation
Jade set up as a sole trader because she wanted to keep control of the business. Wants to make key decisions herself.	Changing ownership to a Ltd will mean that Jade will no longer own 100% of the business, instead STS will be owned by a group of shareholders. Jade must consult with the shareholders on any important business decisions, for example whether to expand the business. Shareholders may have different values and objectives to Jade and this could stop her from expanding the way that she wants to. Shareholders may want to delay any expansion plans until STS is financially secure and able to raise the money without additional borrowing.
As a sole trader Jade currently has unlimited liability and is liable for the bank loan. Security against the house.	If STS gets into financial difficulty and Jade is unable to repay the bank loan she risks losing her own home as she has secured the debt against this. Becoming a Ltd would give STS limited liability. This means that if the business got into financial difficulty Jade is protected and would not lose personal possessions, such as her home. Limited liability will also help Jade to attract investors to STS and help her raise the finance needed for her expansion plans.
Jade currently has a high level of borrowed funds. Interest rates are increasing.	Jade already has a bank loan and an overdraft and is not in a financial position to expand the business herself. As her costs are still high this could mean that the bank is unlikely to want to allow Jade to borrow more money as she may struggle to make repayments. Having limited liability could attract shareholders who will invest in STS and provide Jade with finance that does not have to be repaid.
Jade would like to expand Swim to Success.	Jade has ambitious plans for STS and shareholders will be attracted by the prospect of STS expanding to increase profits and the dividends they receive. By becoming a limited company Jade could attract investors who are more knowledgeable about expanding a business than she is, as Jade has no prior experience of running a business. As STS grows Jade will be able to get advice from her shareholders and share the decision making.

Evaluation/Conclusion

- Jade may struggle to give up ownership of STS and work effectively alongside shareholders as she started the company and is used to making the decisions herself.
- Investment is needed for any future expansion of STS as Jade is already in debt to the bank. Becoming a private limited company is the best way to raise finance that does not have to be repaid.

2.4	Identify **two** sections of a business plan. **[2 marks]**

Marks for this question: AO1 - 2 marks

1 mark for each correct reason identified up to a maximum of 2 marks.

Answers may include:

- Background information/legal structure
- Owner details/personal details
- Target market
- Aims/objectives
- Product/service description
- Competitor analysis
- Market research
- Staffing requirements
- Finance section e.g. cash flow forecast, profit predictions
- Marketing strategy

Markers note
Mark two correct sections anywhere in the students' response.

2.5	Use the information in the graph to calculate the percentage of parents that chose swimwear as the product they are most likely to buy. **[2 marks]**

Marks for this question: AO2 - 2 marks

Percentage of parents = 27% (2)

Method
83 + 156 + 82 + 135 + 44 = 500 (1)

(135/500) x 100 = 27% (1) OFR

2.6	Explain **one** benefit for Jade of using questionnaires to conduct market research. **[4 marks]**

Marks for this question: AO1 - 2 marks AO2 - 2 marks

Level	Marks	Description
2	**3 - 4**	**Sound understanding and application of the topics** • Applies knowledge and understanding to the context sufficiently. • A sound understanding of one or more business concepts and issues.
1	**1 - 2**	**Basic understanding and application of the topics** • Applies basic knowledge and understanding to the context. • A basic understanding of one or more business concepts.
0	**0**	Nothing written worthy of credit.

Answers may include:

- Data can be collected quickly with closed questions
- Easy to analyse results
- Recent/Up to date research
- Questions focussed to collect the specific information Jade needs – product and pricing information
- Easy to print and distribute
- Inexpensive compared to alternative methods
- Less risk of bias than one-to-one interviews
- Can be confidential and anonymous

Example of developed answer
Questionnaires will allow Jade to gather information that is tailored to her specific needs and allows her to find out about which products her customers want and will pay for. Jade can use this information to make sure she only sells products that her customers would buy, reducing the risk of developing goods that will struggle to make a profit, for example bags which will not sell well.

2.7	Jade must decide how to distribute her swimming products. Recommend whether or not Jade should sell her products using e-commerce on the STS website. Give reasons for your answer. **[9 marks]**

Marks for this question: AO2 - 3 marks AO3 - 6 marks

Level	Marks	Description
3	**7 - 9**	**Detailed analysis and evaluation of topics based on the context** • Sustained line of reasoning, which is coherent, relevant, substantiated with a focused conclusion that is fully justified. • Business areas are fully analysed. • Applies knowledge and understanding to the context sufficiently.
2	**4 - 6**	**Sound analysis and evaluation of topics based on the context** • A line of reasoning, with a conclusion that has some justification. • Business areas are partially analysed. • Applies some knowledge and understanding to the context.
1	**1 - 3**	**Basic analysis and evaluation of topics based on the context** • Basic line of reasoning with a conclusion. • Basic analysis of business areas. • Basic knowledge and understanding is applied to the context.
0	**0**	Nothing written worthy of credit.

Evaluation/Conclusion

- Jade's ability to manage the e-commerce part of the website and postage of the products herself alongside her swimming lessons is a major factor. If not managed effectively this will have a negative impact on customer service.
- Timeliness is unlikely to be a big factor for customers therefore e-commerce seems the more sensible option as Jade can reach a much wider audience
- However, it is highly likely that only STS customers will want to purchase the branded goods, so promoting and selling in the gyms is a guaranteed way to reach the target market.

Indicative content:

Application	Analysis/evaluation
STS website already exists	Jade will be able to access more customers through an ecommerce section on her website, without increasing costs greatly as the website already exists. Parents are already aware of the website and are likely to visit regularly to book swimming lessons for their children and this will further impact on the potential sales through this channel. Jade could advertise the branded products on the lesson booking page of the website and provide links to make it easy for customers to purchase goods.
Jade thinks she will be able to manage the e-commerce section of the website herself	This means that there will be low running costs for the website once it is set up. Running the website herself means that Jade can monitor which products are most popular and adjust her range to maximise profit. However, if Jade struggles to find enough time to manage the website then it could mean that problems occur, such as delivery information not being updated, and customers could become dissatisfied.
More investment is needed to develop the e-commerce section of the STS website	Jade may be unable to afford to develop the website effectively as she currently has high costs. This could result in an e-commerce section that is not to the standard that Jade would have liked, and this could stop people purchasing products. If the e-commerce section does not look as professional as the rest of the STS website, then people will be reluctant to give personal details and card information for payment and she will lose sales.
Jade would be unable to package and post orders every day as she has other tasks that take priority.	If Jade cannot package and post orders every day this could prevent customers from ordering items from STS if they need them for a swimming lesson in a few days' time. Most online retailers now offer different postage options such as next day delivery, and if her customers need a certain product quickly she risks losing the order to competitors. Jade could choose to reduce the time she spends on other tasks and prioritise postage; however, these tasks are important to make sure STS runs smoothly. Jade could consider hiring an admin assistant once finances improve.
Each gym already has an area with goods for sale	Selling STS products at the gyms gives customers the opportunity to see the products before they purchase them. Customers can check the quality of the products and get their children to try on swimwear to make sure it fits before they buy it. They could do this if Jade stocked products at the gym. Jade would be promoting directly to her target market at the gym and so people are likely to make impulse purchases. Jade could produce point of sale displays that attract the attention of parents and their children, leading to higher sales.
Jade would have to pay a rental fee to sell STS products at the gym	Jade is producing the range of swimming products to bring in extra revenue but paying a monthly rental fee will reduce the amount of profit that Jade will make. This means that Jade will need to sell more goods in the gym than online to make the same amount of profit. Jade must negotiate with the gym to set the fee amount. If the rental fee is too high, then Jade risks making little profit from selling her products. Jade could consider a trial period in the gym to see how well the products sell before she commits to a longer-term arrangement.

Section C

Total for this section: 35 marks

3.1	Describe **one** characteristic of an entrepreneur. **[2 marks]**

Marks for this question: AO1 - 2 marks

1 mark for identification of characteristic and 1 mark for development.

Answers may include:

- Hard working/motivated
- dedicated
- Innovative
- Confident
- Organised
- Willingness to take a risk

Example of developed answer
Innovation (1) because entrepreneurs need to come up with new ideas (1).

3.2	Analyse **one** benefit to HelloFresh of operating as an environmentally responsible company. **[6 marks]**

Marks for this question: AO2 - 3 marks AO3 - 3

Level	Marks	Description
3	**5 - 6**	**Detailed analysis of topics based on the context** • Business areas are fully analysed. • Applies knowledge and understanding to the context sufficiently.
2	**3 - 4**	**Sound analysis of topics based on the context** • Business areas are partially analysed. • Applies some knowledge and understanding to the context.
1	**1 - 2**	**Basic analysis of topics based on the context** • Basic analysis of business areas. • Basic knowledge and understanding is applied to the context.
0	**0**	Nothing written worthy of credit.

Answers may include:

Application:
- Operate in a competitive environment – competitive advantage if rivals not acting in the same way
- Need for a USP – differentiation from competitors
- Planning delivery routes will reduce costs
- Measure exact ingredients so reduced waste
- Expensive product so needs to meet customer values – leading to positive publicity for the business, able to justify higher prices

Example of developed answer
One way that HelloFresh could stand out from the increased competition is to promote the company as environmentally responsible. This is important because customers are often prepared to pay more for products that are environmentally friendly, and HelloFresh carefully plan delivery routes and use recycled packaging. This could become the USP for HelloFresh if the competition is not as environmentally friendly and attract new customers in their target market who are likely to place value on these policies when paying for a premium service.

3.3	HelloFresh is developing new products by creating additional recipes each week. Analyse **one** risk of this new product development. **[6 marks]**

Marks for this question: AO2 - 3 marks AO3 - 3 marks

Level	Marks	Description
3	**5 - 6**	**Detailed analysis of topics based on the context** • Business areas are fully analysed. • Applies knowledge and understanding to the context sufficiently.
2	**3 - 4**	**Sound analysis of topics based on the context** • Business areas are partially analysed. • Applies some knowledge and understanding to the context.
1	**1 - 2**	**Basic analysis of topics based on the context** • Basic analysis of business areas. • Basic knowledge and understanding is applied to the context.
0	**0**	Nothing written worthy of credit.

Answers may include:

Application:
- Increasingly competitive market, rivals are likely to react
- HelloFresh offer new recipes each week, over time there may be less scope for new recipes
- Impact on sales of existing recipes – customers may not like constant change/removal of favourite recipes
- Development of each new recipe takes a long time – costs to research, develop and launch
- Recipe reviews may not accurately reflect what large groups of customers want
- Departments must work together to coordinate activities – diseconomies of scale

Example of developed answer
As HelloFresh operate in an increasingly competitive market it is likely that all meal-kit businesses will be creating new recipes on a regular basis. Rival businesses will be closely monitoring what HelloFresh are offering customers and if they think a new recipe will increase demand then they will be keen to offer something similar. This reduces the effectiveness of new recipes increasing demand for HelloFresh, and the high cost of developing the recipes might not be recovered. HelloFresh need to be confident that developing new recipes will lead to higher revenue, otherwise it may have to increase prices to cover the extra costs.

3.4	Define 'cost of goods sold.' **[2 marks]**

Marks for this question: AO1 - 2 marks

1 mark for giving limited description and 1 mark for some development.

Answers may include:

- Direct costs
- Costs of producing goods
- For example, raw materials, labour costs, packaging, delivery
- Used in the calculation of gross profit = revenue – cost of goods sold

Example of a developed answer:
Cost of goods sold are the direct costs (1) connected to the production of goods (1).
This is the cost of making the product (1) for example packaging (1)

Markers note
Do not award expenses such as rent, rates, advertising or salaries etc
Award a maximum of 1 mark for examples.

3.5	Explain **one** reason why the objectives of HelloFresh might have changed since starting in 2011. **[2 marks]**

Marks for this question: AO2- 2 marks

1 mark for applying knowledge of a reason why the objectives of HelloFresh have changed as the business has evolved
1 mark for explaining the reason.

Answers may include:

- Change in size of the business
- Increasingly competitive environment
- Financial position of the business
- Became a PLC/ satisfy the needs of shareholders
- Hello Fresh is now an established business

Example of developed answer
HelloFresh is now an established business (1) and it has now increased revenue so the business can start setting objectives to make a profit (1).

3.6	Calculate the net profit/loss for 2017. Show all workings. **[2 marks]**

Marks for this question: AO2 - 2 marks

Net Loss = (£88m) (2)

Method 1
Total costs = £325m + £563m = £888m (1)
Net profit/loss = £800m – £888m = (£88m) (1) OFR

Method 2
Gross profit = £800m – £325m = £475m (1)
Net profit/loss = £475m – £563m = (£88m) (1) OFR

Method 3
£800m –(£325m – £563m (1)) = (£88m) (1)OFR

Markers note:
- Maximum of one mark for any correct working without correct final answer
- Accept either brackets or minus symbol in front of figure to highlight net loss
- (£88) award one mark only
- £88 award one mark only
- £88m award one mark only

3.7	Explain why net loss in **Table 1** has decreased between 2015 and 2016. **[3 marks]**

Marks for this question: AO2 - 3 marks

1 mark for identifying some relevant information of why net loss has fallen
1 mark for explanation of why net loss has fallen e.g. significance of change of revenue compared to costs
1 mark for supporting this explanation e.g. with the use of data or explaining the cause of the change

Answers may include:

- Sales revenue has increased
- Cost of goods sold has not increased at the same rate as revenue
- Total expenses have not increased at the same rate as revenue
- Spend on marketing in 2016 may have affected revenue as well as costs

Example of developed answers

Revenue has increased (1) more than the costs (1) sales increased by £262m while costs increased by £238m (1)

Revenue has increased (1) because the increase in sales was higher than the increase in costs (1). This may have been because of the large marketing expenses which persuaded customers to use the business (1)

3.8	HelloFresh is aiming to make a net profit in the next 12 months. It is considering two possible options which will help it to do this: • cutting costs • increasing spending on marketing. Analyse the effect of each of these two options on HelloFresh's net profit. Evaluate which of these two options will have the biggest impact on HelloFresh's net profit. **[12 marks]**

Marks for this question: AO1 - 3 marks AO2 - 3 marks AO3 - 6 marks

Level	Marks	Description
4	**10 - 12**	**Developed integrated analysis and evaluation of topics with sustained judgement based on context.** • An integrated line of reasoning, which is coherent, relevant, with a conclusion with the area which has been impacted on the most has been fully justified. • Interdependent nature of business areas are fully analysed. • Applies knowledge and understanding to the context and successfully draws together several functional areas of business.
3	**7 - 9**	**Detailed analysis and evaluation of topics based on the context**. • A line of reasoning, which is coherent, relevant, with a conclusion that is justified. • Different business areas are analysed independently or the interdependent nature of business areas is partially analysed. • Applies knowledge and understanding to the context and starts to draw together several functional areas of business.
2	**4 - 6**	**Sound analysis and evaluation of topics in isolation of their interdependence based on the context.** • A line of reasoning, with a conclusion that has some justification. • One business area is analysed independently. • Applies some knowledge and understanding to the context.
1	**1 - 3**	**Basic generic discussion of topics.** • A basic understanding of business concepts in isolation. • A basic understanding of one or more business concepts. • Partial relevance to the question.
0	**0**	Nothing written worthy of credit.

Integrated approach – links with other areas

- Methods of promotion – revenue has increased significantly using sales promotions. Should HelloFresh focus on developing new sales promotions to offer online instead of looking at advertising?
- Financial considerations - is HelloFresh in a financial position to spend more on marketing?
- Quality - is it possible for HelloFresh to cut costs without having an impact on quality?
- Target market – what other methods of advertising will attract its target market as well as social media?

Indicative content:

Understanding	Application	Analysis/evaluation
Cutting costs will allow prices to be lowered	59% of survey said they had never subscribed to a meal-kit service because it was too expensive	This means that HelloFresh must focus on lowering costs so that it can pass savings on to the consumer by lowering prices. The meal-kits currently cost around £5 per person so eating this way would be very expensive for a large family. HelloFresh could look for suppliers who it can negotiate with to provide larger quantities of ingredients at a cheaper price, or it could use cheaper packaging. However, it is important that these savings do not damage the high quality of HelloFresh meal-kits as this will also damage its reputation.
Impact on brand image	HelloFresh have a reputation as a high-quality brand	This suggests that customers who have signed up to HelloFresh are prepared to pay these prices for the high-quality meal-kits they receive. By cutting costs HelloFresh may be unable to maintain the current standards of quality and customers may decide they are no longer getting value for money. For example, if HelloFresh stop including fresh seasonal ingredients in recipes then customers may switch to a competitor or use the recipe cards they have and buy their own fresh ingredients.
Method of promotion must fit with target market	HelloFresh currently use the Internet to advertise and offer sales promotions	Their target market of young families and couples will access the Internet and social media regularly and by placing ads on popular websites HelloFresh can attract new customers. Young people use the Internet to watch TV programmes and read the news and so spending more on advertising on TV or in newspapers would be ineffective in attracting this target market.
Traditional methods of advertising are expensive	HelloFresh had marketing expenses of £140m in 2016 which increased to £215m in 2017	HelloFresh has already significantly increased spending on marketing, by £75m between 2016 and 2017. Plus, with its current net losses HelloFresh is not in a financial position to spend more money on advertising. Although HelloFresh has increased revenue, it has not yet hit break-even, therefore spending more on advertising will increase costs and make it even harder for HelloFresh to make a profit.
Pressure to keep up with the competition	One competitor has launched a £2m TV advertising campaign	HelloFresh operate in a competitive environment, so it makes sense to increase the marketing budget to produce adverts that allow it to stand out from the competition. Competitors are starting to advertise on TV and this would be a great way for HelloFresh to show people how the meal-kits work. The business could target the TV adverts so that they are shown during programmes that the target market is likely to be watching or food programmes. The competition has spent £2m on a TV campaign and HelloFresh should be able to afford this with its increase in revenue in 2017.