# GCSE
# BUSINESS
# 8132/2

Paper 2 Influences of marketing and finance on business activity

**Mark scheme**

**June 2024**

Version: 1.0 Final

2 4 6 G 8 1 3 2 / 2 / M S

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 Examiner.

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.

No student should be disadvantaged on the basis of their gender identity and/or how they refer to the gender identity of others in their exam responses.

A consistent use of 'they/them' as a singular and pronouns beyond 'she/her' or 'he/him' will be credited in exam responses in line with existing mark scheme criteria.

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# 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.

**The own figure rule**

General principle: The own figure rule is designed to ensure that students are only penalised once for a particular error at the point at which that error is made and suffer no further penalty as consequence of the error. Where the own figure rule is to be applied in a mark scheme, the symbol OF is used.

**Section A**

**Total for this section: 20 marks**

**Multiple Choice Questions**

| Question number | Answer | |
|---|---|---|
| **1.1** | D | Retained profit |
| **1.2** | D | Shareholders receive dividends |
| **1.3** | B | Gross profit |
| **1.4** | A | Focus groups |
| **1.5** | A | Customer opinions of a product |
| **1.6** | B | organic growth. |

1.1 – 1.6 = AO1 × 6 **[1 mark for each correct answer]**

| | |
|---|---|
| **1.7** | Identify **two** pricing methods used by businesses. **[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:**
- price skimming
- price penetration
- competitive pricing
- loss leader
- cost-plus
- psychological pricing
- dynamic pricing
- value based.

**Marker's note**
No marks for a description of a pricing method.

| | |
|---|---|
| **1.8** | Identify **one** stakeholder of a business and **one** objective they may have.<br>**[2 marks]** |

**Marks for this question: AO1 – 2 marks**

1 mark for identifying a stakeholder and 1 mark for identifying an objective this stakeholder would have.

**Answers may include:**
- owners / shareholders – profits/dividends, increase share price/capital, survival
- employees – pay, security, promotion
- manager – motivate employees, meet business objectives
- customers – lower prices, higher quality
- local community – low environmental impact, jobs
- suppliers – payment on time, regular orders
- government – collection of taxes, enforcing laws.

**Example of developed answers**
An employee is a stakeholder of a business (1). This stakeholder will want to earn a living from the profit(1).
One stakeholder of a business would be a customer (1). They would want the business to make quality products (1).

**Marker's note**
Marks for identifying an objective cannot be awarded if a specific stakeholder has not been identified.

| | |
|---|---|
| **1.9** | Explain **one** reason why someone may want to start a business.<br>**[2 marks]** |

**Marks for this question: AO1 – 2 marks**

1 mark for identifying a reason for starting a business.
1 mark for explaining the reason for starting a business.

**Answers may include:**
- produce goods/supply services
- distribute products
- fulfil a business opportunity/gap in the market
- be your own boss
- flexible working
- pursue an interest
- earn more money
- dissatisfaction with current job.

**Example of developed answers**
Fulfil a business opportunity (1) in a market where consumer needs are not currently met (1).

Someone may start their own business to produce goods (1) which they can profit from individually (1).

| | |
|---|---|
| **1.10** | Explain **one** benefit to shareholders of limited liability.<br><br>**[2 marks]** |

**Marks for this question: AO1 – 2 marks**

1 mark for identifying a benefit of limited liability for shareholders.
1 mark for explaining how or why this is a benefit for shareholders.

**Answers may include:**
- shareholders personal possessions are not at risk
- shareholders are not liable for business debts
- there is a guaranteed limit to shareholder losses
- only the amount of the investment is lost.

**Example of developed answers**
Shareholders personal possessions are not at risk (1) as they do not have to be sold to pay business debts (1).

There is a guaranteed limit to their losses if the business fails (1) as only the amount the shareholder has paid for their shares can be lost (1).

| | |
|---|---|
| **1.11** | Using **Table 1**, calculate the net profit margin.<br><br>Show all workings.<br><br>**[2 marks]** |

**Marks for this question: AO2 – 2 marks**

Answer = 40% (2) 0.4 (1) 40 (1)

**<u>Method</u>**

£30 / £75 (1)
(£30 / £75) × 100 = 40% (1)

| | |
|---|---|
| **1.12** | State and explain **two** reasons why it is important for a business to identify the needs of its customers.<br>**[4 marks]** |

**Marks for this question: AO1 – 4 marks**

1 mark for stating a reason that is linked to identifying needs of the customer and 1 mark for explaining why it is important for a business (× 2).

**Answers may include:**
- to provide a product or service that customers will buy
- increase sales
- avoid costly mistakes
- to be competitive
- select the correct marketing mix
- repeat sales
- customer loyalty
- good reputation.

**Example of a developed answers**
To provide a product or service that customers will buy (1) which will lead to more sales (1).

This could increase sales (1) leading to a greater market share (1).

**Section B**

**Total for this section: 33 marks**

| | |
|---|---|
| **2.1** | Explain **one** benefit of carrying out market research before starting a business. **[2 marks]** |

**Marks for this question: AO1 – 2 marks**

1 mark for identifying a benefit.
1 mark for explaining the consequence of the benefit

**Possible answers include:**
- identify market opportunities / gaps in the market
- identify customers' needs
- identify competitor actions
- reduce risks by testing ideas
- produce a business plan
- predict demand/sales.

**Example of developed answers**
Get a better insight into customers' needs (1) so the entrepreneur knows they have a viable product/service (1).

Can get a better insight into competitor actions (1) which allows the business to gain a competitive advantage over its rivals (1).

| | |
|---|---|
| **2.2** | SWD has set objectives of increasing market share and providing a quality service.<br><br>Analyse **one** reason for SWD setting objectives.<br><br>**[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**<br>• Business areas are fully analysed.<br>• Applies knowledge and understanding to the context sufficiently. |
| **2** | **3–4** | **Sound analysis of topics based on the context**<br>• Business areas are partially analysed.<br>• Applies some knowledge and understanding to the context. |
| **1** | **1–2** | **Basic analysis of topics based on the context**<br>• Basic analysis of business areas.<br>• Basic knowledge and understanding is applied to the context. |
| **0** | **0** | Nothing written worthy of credit. |

**Application:**
**Possible answers include:**

- **SWD has set specific objectives which has led to an increase in sales** – purpose of setting objectives is to set priorities.
- **The business continues to grow rapidly and profits are high, customers are now asking for her to add e-commerce features to their websites** – setting objectives makes it possible to check on progress and to identify improvements.
- **SWD has set objectives of increasing market share and providing a quality service** – objectives can help different parts of the business to work together smoothly for example marketing and operations.

**Example of Level 3 developed answer:**
Setting objectives allows SWD to easily check on the progress of the business and to make improvements as necessary. One of SWD's stated objectives is to have a high-quality service. By identifying this, Suheila can remain focused on the information she needs to find out and the best ways of acting on that information. This has resulted in Suheila identifying that her customers would like her to add e-commerce features to their websites. SWD can now make specific changes to the business to meet these needs, which will increase the quality of the service and loyalty of customers. This has allowed the business to continue to grow rapidly and a reason why profits remain high.

| | |
|---|---|
| **2.3** | Johal is unable to invest any capital in the business.<br><br>Recommend whether Suheila should form a partnership with Johal.<br><br>Give reasons for your answer.<br><br>**[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**<br>• Sustained line of reasoning, which is coherent, relevant and substantiated with a focused conclusion that is fully justified.<br>• Business areas are fully analysed.<br>• Applies knowledge and understanding to the context sufficiently. |
| **2** | **4–6** | **Sound analysis and evaluation of topics based on the context**<br>• A line of reasoning, with a conclusion that has some justification.<br>• Business areas are partially analysed.<br>• Applies some knowledge and understanding to the context. |
| **1** | **1–3** | **Basic analysis and evaluation of topics based on the context**<br>• Basic line of reasoning with a conclusion.<br>• Basic analysis of business areas.<br>• Basic knowledge and understanding is applied to the context. |
| **0** | **0** | Nothing written worthy of credit. |

**Indicative content:**

| Application | Analysis |
|---|---|
| **No**<br>The business continues to grow rapidly and profits are high.<br><br>Johal is unable to invest any capital in the business.<br><br>Suheila works on her own with no employees to support her.<br><br>Johal is her brother-in-law. | Taking on a partner means that Suheila may need to share the profits of the business, which are high. Normally profits are in return for capital invested but as Johal has none to invest he is likely to unfairly receive a large amount of money for simply working for the business. As Suheila has made a greater financial contribution to the business and is risking her capital only she is likely to see her share of the profits reduce significantly. This could lead to resentment and conflict between the two partners as she has built up the business and it continues to grow rapidly meaning profits are likely to increase. As Johal and Suheila are family, it may even affect Suheila outside of the business. As the business continues to grow rapidly and profits are high it does not make sense to take on a |

| | |
|---|---|
| | partner who is unable to invest any capital in the business yet will take home profits. |
| **Yes**<br>Suheila works on her own with no employees to support her.<br><br>Suheila is unable to meet the e-commerce demand because she lacks the necessary skills.<br><br>Johal has 10 years' experience of working in web design with advanced e-commerce features.<br><br>SWD has set objectives of increasing market share and providing a quality service. | As there are many different areas of running a business and Suheila may not be an expert at them all, having a partner who can share this workload and responsibilities would mean that she could focus her time on the areas she is strongest at. Johal joining the business would mean that SWD could add e-commerce features to their websites. This will immediately start meeting the needs of customers. As Suheila currently works on her own with no employees this service can't be offered without Johal. However, Suheila could consider training someone else. As Johal has 10 years' experience of working in web design with advanced e-commerce features it's likely that his work would be high quality, and this would help the business increase sales even further. As the business has set objectives of increasing market share and providing a quality service it is more likely it will meet these with Johal as a partner. |

**Evaluation/Conclusion:**
- how much share of the profits will Johal want?
- will the continued growth support two partners?
- could someone else with necessary skills be employed?
- can profits be increased to cover the partners share?

| | |
|---|---|
| **2.4** | Explain how a service is different from a good.<br>**[2 marks]** |

**Marks for this question: AO1 – 2 marks**

1 mark for a basic description of a service and 1 mark for a comparison with a good.

**Answers may include:**
- a service is something that cannot be physically touched/intangible
- a service can be an action/activity carried out for a customer
- a good is a physical product/tangible/object.

**Example of developed answers**
A service is something that cannot be physically touched (1) but a good is a physical product (1).

A service is an intangible item (1) but a good is tangible (1).

**Marker's notes**
If the description of service is vague e.g. experience, the answer needs an example of a service to gain the mark.

The word action/activity cannot be awarded on its own unless linked to customers.

| | |
|---|---|
| **2.5** | Using data from **Item B** and **Table 2**, calculate the expected revenue for SWD in 2024.<br><br>Show your workings.<br><br>**[2 marks]** |

**Marks for this question: AO2 – 2 marks**

Answer = £162 000 (2) £162 (1) £99 900 (1)

**Method 1**
Change in revenue = £120 000 × 0.35 = £42 000 (1)
£120 000 + £42 000 (OFR) = £162 000 (1 )

**Method 2**
£120 000 × 1.35 (1) = £162 000 (1)

**Method 3** (if using 2022 data)
£74 000 x 0.35 = £25 900 (0)
£74 000 + £25 900 (OFR) = £99 900 (1)

**Marker's note**
A £ is not required.

| | |
|---|---|
| **2.6** | Using data from **Table 3**, calculate the average rate of return if SWD invests in new computers.<br><br>Show your workings.<br><br>**[3 marks]** |

**Marks for this question: AO2 – 3 marks**

Answer = 25% (3) 125% (2)

**Method 1**
Average profit = £45 000 / 5 (1) = £9 000
£9 000 OFR / £36 000 (1) × 100 = 25% (1)

**Method 2 (**If candidate does not calculate the average profit)
45 000 / 36 000 (1) x 100 = 125% (1)

**Marker's notes**
A % is not required.

The mark is not for 9 000 but for using the correct method.

| | |
|---|---|
| **2.7** | The new computers are expected to last 5 years, after which they will need replacing again.<br><br>Recommend whether SWD should use retained profits to purchase the new computers.<br><br>Give reasons for your recommendation. Use the financial information provided to support your answer.<br><br>**[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**<br>• Sustained line of reasoning, which is coherent, relevant and substantiated with a focused conclusion that is fully justified.<br>• Business areas are fully analysed.<br>• Detailed application of interpretation of financial data including calculation of relevant figures. |
| **2** | **4–6** | **Sound analysis and evaluation of topics based on the context**<br>• A line of reasoning, with a conclusion that has some justification.<br>• Business areas are partially analysed.<br>• Sound application of interpretation of financial data including calculation of relevant figures. |
| **1** | **1–3** | **Basic analysis and evaluation of topics based on the context**<br>• Basic line of reasoning with a conclusion.<br>• Basic analysis of business areas.<br>• Basic application of interpretation of financial data including calculation of relevant figures. |
| **0** | **0** | Nothing written worthy of credit. |

**Indicative content:**

| Application | Analysis |
|---|---|
| **Yes**<br>£38 000 in retained profits.<br><br>£36 000 cost of new machines.<br><br>Additional profits are £45 000.<br><br>Computers expected to last 5 years. Will be an asset that can be sold as a source of finance. | Using retained profit means SWD can cover the outright cost of the investment which at £36 000, this means there will be £2 000 left from the current retained profits. This is internal source of finance and there will be no need to raise additional finance elsewhere meaning that there is no additional costs such as interest payments, Resulting in no decrease in future profits for the owners and the additional profits of £45 000 can be used by the owners as they see fit . As the computers are an asset of the business, after 5 years can be sold as a source of finance to help replace the computers. |
| **No**<br>Using retained profit means a one-off payment of £36 000<br><br>Leasing the new computers would cost £8 000 per year. Or £24 000 in total. Additional profits are £45 000.<br><br>SWD could return the computers after three years for more up to date computers. | An impact of not using retained profit is that the outflow of cash will be lower than a one-off payment if the new computers are purchased. The annual payments for leasing of £8 000 are spread over 3 years which can allow profits to be generated to help cover these payments. Given that new computers will increase profits by £9 000 per year this will cover the costs of leasing with £1 000 profit left for the owners. As SWD could return the computers after three years for more up to date computers then the business can decide if this £8 000 cost is worth continuing in the future |

**Evaluation/Conclusion:**

- what other finance options are available?
- is Suheila happy to use net profit built up whilst she ran the business as a sole trader?
- opportunity cost of using most of the retained profits for the new computers.

**Section C**

**Total for this section: 37 marks**

| | |
|---|---|
| **3.1** | Explain **one** benefit of using billboards as a method of advertising. **[2 marks]** |

**Marks for this question: AO1 – 2 marks**

1 mark for identifying a benefit linked to billboards and 1 mark for the consequence of the benefit

**Answers may include:**
- large and eye-catching display
- advert is on display 24/7.

**Example of developed answers**
A billboard advert is on display 24/7 (1) and this can lead to repeat exposure for a brand (1).

The advert is large and has an eye catching display (1). This means it can reach a larger number of potential new customers (1).

| | |
|---|---|
| **3.2** | Through market research, FT has found out that its target customers have high disposable income.<br><br>Explain how FT can target customers by using segmentation. You should use information in Item C in your answer.<br><br>**[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.**<br>• Applies knowledge and understanding to the context sufficiently.<br>• A sound understanding of one or more business concepts and issues. |
| **1** | **1–2** | **Basic understanding and application of the topics.**<br>• Applies basic knowledge and understanding to the context.<br>• A basic understanding of one or more business concepts. |
| **0** | **0** | Nothing written worthy of credit. |

**Answers may include:**
**Knowledge and application**

- **FT customers have high disposable income** – can set the price appropriately to meet customer budgets.
- **FT customers are aged between 25 and 44, recently ran a billboard campaign located in areas with lots of bars** – can use methods of advertising that will reach customers within this age group.
- **FT customers are fitness enthusiasts** – target customers more precisely when advertising.

**Example of a L2 developed answer**
Segmentation will enable FT to meet the needs of its customers better. FT knows that its customers are mostly aged between 25 and 44. This means that FT can choose methods of advertising that specifically target this age group. For example, it recently ran a billboard campaign located in areas where there are lots of bars, cinemas and restaurants. Therefore, FT can increase brand awareness with its target market as this area is likely to be very popular with people aged 25 to 44.

| | |
|---|---|
| **3.3** | FT equipment is very expensive, so customers are usually high-income earners.<br><br>Analyse **one** advantage for FT of offering trade credit to customers.<br>**[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**<br>• Business areas are fully analysed.<br>• Applies knowledge and understanding to the context sufficiently. |
| **2** | **3–4** | **Sound analysis of topics based on the context**<br>• Business areas are partially analysed.<br>• Applies some knowledge and understanding to the context. |
| **1** | **1–2** | **Basic analysis of topics based on the context**<br>• Basic analysis of business areas.<br>• Basic knowledge and understanding is applied to the context. |
| **0** | **0** | Nothing written worthy of credit. |

**Application:**
- **Customers are usually high-income earners** – credit can attract new customers who cannot afford to pay for expensive items all at once.
- **Allow customers to pay for equipment in 24 equal monthly instalments** – credit increases demand for the product.
- **FT's main competitors do not offer credit** – offers a competitive advantage.

**Example of a L3 developed answer**
Credit will allow people to purchase FT equipment and pay for it in 24 equal monthly instalments, boosting demand for products. Due to the high cost of FT equipment its customers are usually high-income earners who can afford to pay for the equipment all at once. This has narrowed the market for FT. FT want to specifically attract fitness enthusiasts aged between 25 and 44. Offering credit as an alternative payment option will increase demand from this age group who may struggle to pay the full cost at the time of purchase, boosting sales.

| | |
|---|---|
| **3.4** | Explain **one** way a business can be ethical.<br><br>**[2 marks]** |

**Marks for this question: AO1 – 2 marks**

1 mark for identifying a way a business can be ethical and 1 mark for explanation or an example.

**Answers may include:**
- good working conditions for employees
- donating funds to local communities
- paying suppliers on time
- using fair trade resources
- fair advertising
- not testing on animals.

**Examples of developed answers**

Paying suppliers on time (1) to help them with their cash flow (1).

Providing good working conditions for employees (1) for example a nice staff environment for them to relax in (1).

| | |
|---|---|
| **3.5** | FT has forecast it will sell 450 V2 bikes in October. Cash inflow from the sales of the original bike is forecast to decrease to £87 000 in October.<br><br>Calculate the total cash inflow for October. Use the information in **Item D** in your calculation.<br><br>Show your workings.<br><br>**[2 marks]** |

**Marks for this question: AO2 – 2 marks**

Answer = £627 000 (2) £627 (1) £453 000 (1)

**Method**
October cash inflow for V2 bikes = 450 × £1200 = £540 000 (1)
October total cash inflow = £540 000 OFR + £87 000 = £627 000 (1)

**Marker's note**
A £ is not required.

| | |
|---|---|
| **3.6** | Calculate the closing balance for FT in October. Use your answer to Question **3.5** and the information in **Table 4** in your calculation.<br><br>Show your workings.<br><br>**[3 marks]** |

**Marks for this question: AO2 – 3 marks**

Answer = £797 000 (3) £797 (2)

**Method 1**
Net cash flow = £627 000 (OFR) – £312 000 (1) = £315 000 (1)
Closing balance = £315 000 (OFR) + £482 000 = £797 000 (1)

**Method 2**
627 000 (OFR) + 482 000 (1) = 1 109 000 (1)
1 109 000 (OFR) – 312 000 = 797 000 (1)

**Marker's notes**
If an error has been made in question 3.5 and the candidate has used this to complete this question then maximum marks can be awarded.

A £ is not required.

| | |
|---|---|
| **3.7** | Market research has shown that running is quickly growing in popularity and more people are buying treadmills.<br><br>Analyse **one** reason why FT should use the Boston Matrix before deciding whether to invest in its treadmill.<br><br>**[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**<br>• Business areas are fully analysed.<br>• Applies knowledge and understanding to the context sufficiently. |
| **2** | **3–4** | **Sound analysis of topics based on the context**<br>• Business areas are partially analysed.<br>• Applies some knowledge and understanding to the context. |
| **1** | **1–2** | **Basic analysis of topics based on the context**<br>• Basic analysis of business areas.<br>• Basic knowledge and understanding is applied to the context. |
| **0** | **0** | Nothing written worthy of credit. |

**Application:**
- **Running is growing in popularity/growing market** – could result in the treadmill being star product.
- **FT treadmill has a low market share** – question mark product – can identify and eliminate poorly performing products.
- **FT exercise bike has the largest share of a current market which is not growing** – this is a cash cow
- **FT is currently considering developing a new product – exercise bike –** this will keep it in the cash cow category.

**Example of a L3 developed answer**
The Boston Matrix would be helpful to FT to allow it to analyse the position in the market of their two products and decide where to invest. The running market is growing; however, FT has not previously invested in the treadmill, so it has a low market share. According to the Boston Matrix the treadmill is a question mark product. This information is helpful to FT as it means it has potential but would need a large amount of investment to become a star. The bike is a cash cow product as it has the largest share of the current market.

| | |
|---|---|
| **3.8** | FT wants to increase its revenue. It is considering **two** options to achieve this:<br><br>• use TV advertising to promote the existing equipment in the UK<br>• create a better design for the global market.<br><br>Analyse the effect of **each** of these **two** options on the business.<br><br>Evaluate which of these **two** options will have the biggest impact on FT's revenue.<br>**[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**<br>• An integrated line of reasoning, which is coherent, relevant, with a conclusion where the area which has been impacted on the most has been fully justified.<br>• Interdependent nature of business areas is fully analysed.<br>• 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**<br>• A line of reasoning, which is coherent, relevant, with a conclusion that is justified.<br>• Different business areas are analysed independently, or the interdependent nature of business areas is partially analysed.<br>• 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**<br>• A line of reasoning, with a conclusion that has some justification.<br>• One business area is analysed independently.<br>• Applies some knowledge and understanding to the context. |
| **1** | **1–3** | **Basic generic discussion of topics**<br>• A basic understanding of business concepts in isolation.<br>• A basic understanding of one or more business concepts.<br>• Partial relevance to the question. |
| **0** | **0** | Nothing written worthy of credit. |

**Indicative content:**

| Understanding | Application | Analysis/Evaluation |
|---|---|---|
| TV advertising is used to promote products to a large audience. | TV advert would demonstrate the bike and treadmill in action.<br><br>Advert would be shown on a popular sports channel.<br><br>Prime time TV advertising is very expensive.<br><br>Advert cost £30 000 for one showing. | Running a national TV campaign would allow FT to demonstrate the bike and treadmill in action. Previously FT has used newspaper and magazine adverts, but these have been unsuccessful in gaining the number of new customers FT wanted. A TV advert can show exactly how the equipment works and demonstrate someone using the different features. This would be much better at attracting the attention of viewers and increasing revenue. However, FT plans to advertise on a popular sports channel and this will be very expensive with one slot costing £30 000. As FT will need to show the advert multiple times to be effective, it must be confident that sales revenue will increase enough to cover the costs of the TV advert. If not, although revenue may increase, it may struggle to make a profit. |
| Better designs by adding new features to existing products can attract a global market. | Adding a screen would allow classes to be specially programmed for FT equipment.<br><br>New screen would allow FT equipment to stand out in the global fitness market.<br><br>Classes will only run for five hours a day.<br><br>Price of the equipment would increase by at least 25%. | Adding a screen to the existing bike and treadmill would differentiate its equipment and attract sales from the global market. As the global fitness market is very competitive, it is important that FT offer something new, so it stands out. Although the development and production of the screen would add at least 25% to the price of the existing equipment, without this FT struggle to attract sales and increase revenue. Adding a screen will increase the features on offer and allow classes to be created and specially programmed to run using FT equipment. As the classes can only run with access to a subscription, this will create a monthly source of revenue for FT on top of its equipment sales. However, as the price of the equipment will increase significantly this additional cost may put people off. |

**What does it depend on? Evaluation and integration**

- how many times can FT afford to show the new TV advert? Will they generate at least £30 000 of revenue from each showing?
- are FT targeting the correct people by advertising during football matches?
- how will existing equipment customers react to the addition of the new screen for the global market?
- the screen will add at least 25% to the price of the bike and treadmill. Could this be much higher?