CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge Ordinary Level

MARK SCHEME for the October/November 2015 series

7100 COMMERCE

7100/22 Paper 2 (Written), maximum raw mark 80

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1 (a) One mark for primary sector, allow extractive. [1]

(b) (i) Any one way × 2 marks –
- secondary production obtains its raw materials from primary production (1) in order to make finished goods (1)
- without these raw materials there would be no secondary production
- allow example such as timber provided to make wood pulp for paper manufacturing

Any other relevant point. [2]

(ii) Any four points × 1 mark or two well explained points × 2 marks –
- storage (1) of goods (1)
- stores goods awaiting sale/transport (1)
- protects (1) against weather/theft/deterioration (1)
- maintains price stability (1) especially at times of high demand (1)
- enables production to take place (1) ahead of demand (1)
- enables the packing/branding/preparation for sale to take place (1+1)
- goods may be displayed for potential buyers (1)
- allows for cold storage (1) example (1)

Any other relevant point. [4]

(c) (i) One mark maximum for example and two points × 1 mark each for explanation –
- accountant, teacher, priest, police officer, solicitor, estate agent, soldier, nurse, doctor (1) example
- services that are provided directly (1) to the person who receives them (1)
- services that are of a personal nature
- these services make people happy, healthy or safe (1)
- and enable people to work more productively (1)

Any other relevant point. [3]

(ii) Any two reasons explained × 2 marks each –
- raw materials have become exhausted and so people have turned to service jobs for employment
- manufacturing industries have declined in these countries because many goods can be produced elsewhere more cheaply
- people have become better educated/more qualified and so want to work in offices rather than in factories
- many service sector jobs have been created e.g. computer industry
- there is growing demand from the population for the services provided by the tertiary sector e.g. nursing services, services of doctors and dentists

Any other relevant point. [4]

(iii) Level 2 (4–6 marks) Has discussed to what extent the tertiary sector helps primary producers and has given a reasoned opinion.

The primary producer produces raw materials in order to sell them. He wishes to make a profit. He also buys machinery and equipment in order to carry out his work. He is therefore involved in trade which is part of tertiary production.

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The primary producer may make use of aids to trade in order to sell his goods. He may advertise them and communicate with potential buyers using telephone and email. He may need to warehouse his raw materials before sale especially if they are perishable such as farm produce. He will need to insure against risks such as fire, theft and employer's liability so that he will be compensated if a risk occurs. He will need the services of a bank to save his money, pay bills and raise loans and overdrafts to conduct his business. He will also need transport to move his raw materials to buyers, to move himself to conduct his business and to take his workers to where the raw material may be obtained.

The primary producer may also make use of direct services such as the services of an accountant to keep his books and calculate his tax.

Overall the tertiary sector is essential to the primary producer. Without the services offered by the tertiary sector raw materials would remain where they were produced and would not be used.

Level 1 (1–3 marks) Has commented on the tertiary sector in relation to primary producers with/without an opinion.

The primary producer makes use of tertiary services. He sells his raw materials. He is trading. He uses aids to trade. He uses banking and insurance. He transports his raw materials. He communicates with his bank and with buyers. He uses many parts of the tertiary sector.

NB. Maximum 4 marks for 1-sided answer
L2 achieved by developing links and connections [6]

2 (a) (i) One example for 1 mark such as tuck shop, kiosk, unit retailer, hawker i.e. different types of retail but not e.g. shoe or paper shop but allow newspaper stand. [1]

(ii) Any three advantages × 1 mark each –

- quick decision making
- own boss/total control
- easy to set up legally
- can be flexible in time worked
- keeps all the profits himself
- can offer personal service to his customers
- can develop his own ideas

Any other relevant advantage. [3]

(b) Any four points × 1 mark each or two well explained points × 2 marks each –

- required to have third party insurance (1) by law (1)
- the van may be at risk of being damaged/stolen so the insurance company will provide compensation
- without the van Pete will be unable to carry out his business as the business takes place in the van
- will need comprehensive insurance to cover the van and the contents of the van
- insurance gives confidence

Any other relevant point. [4]

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(c) (i) Any two points × 1 mark each or one well developed point × 2 marks –

- credit offered to customers well known to Pete
- no documentation/oral agreement
- normally for low value goods
- customers pay weekly or monthly
- saves having to pay individual small amounts
- may involve putting aside goods for a time and taking them on payment (lay-by)

Any other relevant point. [2]

(ii) Any four points × 1 mark or two well explained points × 2 marks –

- may help to maintain his existing customer base (1) as people can postpone payment (1)
- may have increased business (1) because people who are short of money may still purchase from him (1) or may purchase more from him/stay loyal (1)
- may give him competitive advantage (1) over other mobile shops (1)
- saves him dealing with small amounts of cash at frequent intervals (1)
- may mean he is handling less cash at certain times of the week (1)
- may experience delays in payment from people (1) who cannot settle their bills so affecting his cash flow (1)
- may be unable to buy new stock (1) as may have insufficient working capital (1)
- may run the risk of bad debts from people who do not pay (1)
- may mean increased paperwork (1) – records of the credit transactions (1)
- security risk of many payments being made at the end of the week/month (1)
- increased profit (1) by charging interest (1)

Any other relevant point. [4]

(d) Level 2 (4–6 marks) Has discussed some actions that Pete might take to survive the competition and has recommended which ones to use. (If a candidate has discussed only one action award 4 marks max)

Pete may have a loyal range of customers. He should do everything he can to retain these customers such as listen to their needs, supply new products to them, offer quality products to them and give them good service. He may need to advertise more using cheap media such as leaflets and flyers and encourage word of mouth recommendations. He must make sure that the outside of his van shows details of the service he offers so that it is very visible to people as he moves around. He may extend his working hours by trying to sell in new areas but he will have to make sure that there is not a cheaper competitor operating in these areas. Pete may introduce special offers such as buy one, get one free or half price or offer extra services such as cookery instructions for his produce. Pete may also look for cheaper suppliers so that he can pass on lower prices to his customers. He could also extend his range of goods. Pete should also look at other selling techniques. Customers could order online for Pete to deliver.

Pete may try to use all of these strategies to meet the competition. He should encourage his existing customers to remain with him and so any actions he might take to do this would be recommended. He could, of course, do nothing and trade in the same way as before and hope for the best.

NB. Up to 5 marks without a recommendation.

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Level 1 (1–3 marks) Has commented on one or more possible actions for survival with/without a recommendation.

Pete might offer his customers special offers. He might lower his prices. He might display his produce more attractively. He might advertise more. I think he should advertise his business more. [6]

3 (a) One mark for banking/transport/insurance/entertainment/films/defence etc. [1]

(b) $250bn – $300bn = –$50bn (1 mark)
$200bn – $250bn = –$50bn (1 mark)
–$50bn + -$50bn = –$100bn (1 mark)
Allow with no billion.
OFR applies. Award full marks if the correct answer is given without working. [3]

(c) (i) Any two reasons × 1 mark each –
- Country X is importing more goods than it is exporting
- Country X is importing more services than it is exporting
- consumers in Country X may prefer foreign goods [2]

(ii) Any two effects × 2 marks each –
- depletion of foreign reserves (1) because they are being used to pay for imports (1)
- reduced earnings of foreign currency (1) because of reduced exports (1)
- growing unemployment (1) as domestic industries fail to develop their export trade (1)
- need for the government to take action to reduce imports (1) e.g. increased tariffs/quotas
- government may need to borrow from international sources (1) e.g. IMF with conditions imposed (1)
- increase in prices (1) leading to inflation and less buying power for the population (1)
- may lead to devaluation of the currency (1) in order to make exports cheaper and so more competitive on world markets (1)
- effects on local producers and cheap prices/dumping (1)

Any other relevant point. [4]

(iii) Level 2 (4–6 marks) Has discussed two or more of the options and has given a reasoned recommendation for two of the options.
(If a candidate has discussed only one of the options award 4 marks max)

If the government decides to join a free trade group it will have access to more export markets where import duties do not have to be paid. On the other hand, these countries will expect to be able to export to Country X without any restrictions and there will be competition for domestic industries who will need to keep prices low.

The government may decide to give grants to home industries to encourage them to export. The government will have to make sure that these industries do increase their exports. This option could be costly for the government when it may be short of finance and it may be difficult to decide to whom it should give grants. It will, however, make home industry feel that the government recognises the importance of successful home-based industries.

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The introduction of quotas on certain imported products will mean that only a certain amount of some imported goods will be allowed into the country. This will assist home industries to produce and to be competitive with imported goods in the home market. On the other hand, importing countries may impose their own quotas on goods coming into their countries as a retaliatory measure and so the benefits of quotas are negated.

Raising import duties on all goods will mean a rise in the price of all imported goods. Importers may find that the goods are then too expensive to sell within Country X and the amount of imports is reduced. This may also encourage home-based industries to become more efficient in order to obtain more market share within Country X. Raising import duties may, however, affect certain industries who are dependent on imported raw materials or components in order to produce manufactured goods. Their costs will rise and they will find it difficult to compete both at home and also in the export market.

Level 1 (1–3 marks) Has commented on one or two of the options with/without a recommendation.

I would raise import duties on all goods. This would make these goods more expensive. People would not buy them. Imports would be reduced.

I would join a trading group. This would give free trade. There would be no duties paid. This would increase trade. Consumers would have more to buy. [6]

(d) Any four points × 1 mark each or two well-developed points × 2 marks –
Allow **2 marks max** for general points relating to warehouses such as storage, protection against theft and damage, preparation for sale, ensuring supplies, plus:

- (stores) dutiable goods (1) on which the duty has not yet been paid (1)
- enables the entrepôt trade to take place (1) – the importer brings in goods, processes them and then exports them again (1)
- allows the importer to take samples from the warehouse (1) in order to find buyers (1)
- the importer may also sell the goods in bond and the buyer then pays the duty (1+1)
- enables the importer to economise on working capital as he pays the duty only when removing the goods from the bonded warehouse (1)

Any other relevant point. [4]

4 (a) (i) Any one advantage × 1 mark such as

- can become skilled at serving better quality seafood meals
- may be able to serve these meals more cheaply
- may become well known for his seafood meals
- customers like to eat seafood, when at the seaside seafood is easy to obtain

Any other relevant point. [1]

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(ii) Award 3 marks for three points of reasoning – Yes = no marks
- Marco is operating a retail outlet/operating a restaurant
- he is selling his seafood to customers
- he is buying ingredients/equipment from suppliers
- his aim is to make a profit
- so he is engaged in trade which is part of commerce
- he may make use of aids to trade (or example) 1 mark

Any other relevant point. [3]

(b) Any four points × 1 mark each or two well explained points × 2 marks –
- to provide information about the restaurant (1) such as its location/menus (1)
- to enable people to book reservations online (1)
- to advertise the restaurant (1)
- has potentially large international audience (1)
- to show customers special promotions (1)
- to save money on other more expensive advertising media (1)
- to provide contact details such as address (1)
- to compete with other restaurant businesses (1)
- more customers are online therefore increase in sales (1)

Any other relevant information. [4]

(c) Any two types of consumer protection × 1 mark and 1 mark each for the explanation –
- safe and clean premises – subject to regular inspections
- food should be fit for purpose (1) and not harm you (1) – sale of goods acts
- food standards should be followed – subject to food and drugs acts
- customers should receive the correct weight of any produce – weights and measures
- food should be adequately described – trades description acts
- electrical equipment should be safe – subject to testing
- advertising should not be misleading – special offers should be valid

Any other relevant type of consumer protection. [4]

(d) Any one reason explained × 2 marks –
- the bills are likely to be large (1) and so some diners will not wish to carry cash (1)
- he wishes to attract customers (1) who wish to postpone payment (1)
- his competitors accept credit cards (1) so he must do the same to keep customers (1)
- may not wish to keep large amounts of cash on the premises (1) for security reasons (1)

Any other relevant point. [2]

(e) Level 2 (4–6 marks) Has discussed several ways of maintaining his profits with reasoning.

Marco may undertake several measures to maintain profits. He will keep a careful watch on his expenses so that they do not increase too much. He will introduce new menus in his restaurant from time to time to maintain customer loyalty and to attract new customers. He will undertake advertising in the locality and also keep his website up to date so that people will be constantly reminded of his restaurant. He may introduce special events such as

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themed nights to attract different target markets. He may introduce a loyalty scheme so that people gain advantages such as free meals for eating regularly at the restaurant. He may introduce pricing strategies – different prices for different parts of the day or days of the week. This may be complicated to operate and may not work too well if there are a number of staff trying to administer it. He might also consider expanding and opening a second outlet but he would need to do careful research before undertaking this.

Overall he should keep a watchful eye on his sales revenue, his costs of supplies and his total expenses so that he maintains his level of net profit.

NB. 4 marks maximum if only one way is discussed.

Level 1 (1–3 marks) Has commented or listed several ways of maintaining profits.

Marco may undertake several measures to maintain profits. He will introduce new menus in his restaurant. He will undertake advertising locally. He will keep his website up to date. He may introduce special events. He needs to watch his total sales and his expenses. [6]

5 (a) Any difference × 2 marks. There should be comment on both for the full marks.

- the franchise company is a well-known large business
- the franchisee is an individual who takes up a franchise opportunity
- the franchise company offers the opportunity to sell a product or service in a particular area
- the franchisee accepts a franchise, from the franchise company, for which royalty payments are made

Any other relevant difference. [2]

(b) (i) Any four points × 1 mark each, or 2 well explained × 2 –

- they can access their accounts anytime and anywhere/at home
- they can manage their finances online
- they can make payments to creditors
- they can view balances
- they can obtain bank statements electronically
- they can transfer money between accounts
- they can arrange standing orders/direct debits
- they can request borrowing facilities
- they may have no time to go to the bank
- request cheque books
- change PIN number

Any other relevant point. [4]

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(ii) Any four points × 1 mark each or two well explained points × 2 marks –
- provides a detailed record (1) of all transactions on the account (1)
- gives details of all methods of payment (1) used e.g. direct debits, cheques (1)
- shows any charges made (1)
- shows any interest added (1)
- shows a running balance after each transaction and the balance when the
- statement was issued (1) so that he does not become overdrawn (1)
- enables the account holder to check their financial position/how much they owe (1)
- enables the account holder to carry out a reconciliation to see if errors have been made (1)

Any other relevant point. [4]

(c) (i) Any three points × 1 mark each – 1 good explanation given 2 marks.
- because she is dealing with many customers
- because she needs to keep accurate records of her dealings with these clients/to allow customers to check for mistakes
- because the invoices given details of the work undertaken and the amount owed by the customer
- they act as a request for payment
- they act as a proof of sale
- legal obligation for accounts/taxes

Any other relevant point. [3]

(ii) Any one document × 1 mark such as statement of account, receipt, order form, delivery note, credit note, letter or enquiry. [1]

(iii) Level 2 (4–6 marks) Has discussed whether or not Pia should take a franchise with Dainty Dusters or continue managing her existing business and has given a reasoned opinion. (If a candidate has discussed only the franchise or the existing business award 4 marks max).

If Pia decides to take the franchise, she will be joining an already established business and many kinds of assistance will be provided. She will be part of a well-known brand with plenty of support and national advertising.

She will, however, have to follow the rules of the parent company and invest a sum of money in order to obtain the franchise. She will have to make royalty payments to the company from the income she makes. She is likely to be restricted as regards the area in which she operates.

Pia is already running her business as a sole trader. She is her own boss and can make her own decisions about her business. She takes any profits for herself and is not restricted by rules and regulations. She may, however, be considering expansion and it may be difficult, as a sole trader, to raise finance for this. She may be concerned about unlimited liability – being responsible for her own debts and want the financial protection of a large organisation.

As Pia is already running a successful business she should probably remain as a sole trader so that she can develop her entrepreneurial skills. If she thinks that her existing business cannot develop any further she should consider the assistance from a national brand that a franchise would bring.

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Level 1 (1–3 marks) Has commented on whether or not Pia should take a franchise or has commented on Pia remaining as a sole trader, with or without a decision.

A franchise is part of a well-established large business. The franchise company offers many kinds of support. It helps with advertising. Pia would have to invest some money. She would work in a particular area. She might be given a vehicle. She will have to make payments from her profits to the franchise company. I think Pia should take a franchise. [6]

6 (a) (i) $\$16\,000 \times \frac{25}{100} = \$4\,000$ (1 mark) +
$\$580 \times 24 = \$13\,920$ (1 mark) = $\$17\,920$ (1 mark)
$\$17\,920 - \$16\,000 = \$1920$ (1 mark)

OFR applies. If a candidate gives the correct answer without working, award full marks. [4]

(ii) Any two differences × 2 marks each – (Must be distinct differences for the full marks)
- hire purchase – you become the owner on the final payment
- def. payments – you become the owner on the first payment
- hire purchase – used to purchase goods with a second-hand value or example
- def. payments – used to purchase goods with little second-hand value or example
- hire purchase – goods can be repossessed
- def. payments – goods cannot be repossessed – taken to court for non-payment
- hire purchase – written agreement
- def. payments – no written agreement

Any other relevant difference. [4]

(b) (i) $\$10\,000 \times \frac{2}{100} = \$200$ (1 mark) $\$10\,000 - \$200 = \$9800$ (1 mark)
OFR applies. If a candidate gives the correct answer without working, award full marks. [2]

(ii) Any three points × 1 mark and up to 2 marks for a well-developed point –
- Renco would have no bad debts (1)
- Renco would be able to use the cash to pay its own debts/obtain new supplies (1)/improve cash flow (1)
- Renco would have more working capital (1) in liquid form (1)
- Renco would be able to take advantage of cash discounts offered by its suppliers (1) for prompt payment (1)
- Renco would not have to keep detailed records (1)
- Renco would not have to wait for the money (1) which would be spread over a period of time (1)

Any other relevant point. [3]

(iii) One mark for trade discount. [1]

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(c) Level 2 (4–6 marks) Has discussed both options and has given a reasoned recommendation. (If a candidate has discussed only one option award 4 marks max).

If the Board of Directors needs a large amount of finance, it might consider changing to a public limited company. This would give it access to large amounts of finance from the public and its shares would be quoted on a stock exchange. It would not have to pay interest on the finance which would not have to repaid. However, this will take a long time to arrange and the company will fundamentally change. The existing Board of Directors would be replaced and shares would be freely transferable, making the company, in the long term, vulnerable to take-over bids.

If the company wants to open two new branches it is possible that a huge amount of finance would not be needed. It may have substantial retained profits which it could use and so its borrowing requirement would not be so great. It may be able to negotiate a loan from a commercial bank on favourable terms with fixed interest rates. Control of the company would remain with a small number of people, possibly a family group.

If, however, the Board has plans for a greater expansion programme long-term, it might seriously consider forming a public limited company. For its immediate plans, borrowing from a commercial bank is the better option.

Level 1 (1–3 marks) Has commented on one or both options with/without a recommendation.

The Board of Directors should form a public limited company. Shares can be sold to the public. Shares are sold on a stock exchange. Plenty of finance can be obtained. It would need to pay dividends. Other directors would be appointed. It would not have to pay interest. I recommend forming a public limited company.

NB. Recommendation without development is only level 1. [6]

7 (a) One mark for can/tin/bottle/plastic/bag/paper [1]

(b) (i) Any two points × 1 mark each or one well developed point × 2 marks –

- so that it offers a cheaper range of goods (1)
- so that it promotes/creates its own brand name (1)
- can achieve economies of scale (1) and so offer cheaper prices (1)
- can offer an alternative to individually branded products (1)
- to increase sales and profits (1) by increased market share (1)

Any other relevant point. [2]

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(ii) Any four points × 1 mark each or two well explained points × 2 marks –

- distinguishes it from other products/manufacturers (1)
- enables products to be advertised using the brand (1)
- may enable a manufacturer to offer a range of goods under the same label (1)
- makes goods recognisable to consumers (1) and so aids self-service (1)
- helps to create brand image (1) – guarantee of a particular quality (1)
- helps to attract customers to purchase (1)
- develops brand loyalty leading to increased sales (1)
- can be sold at higher price (1)
- may be easier to introduce a new product (1)

Any other relevant point. [4]

(c) Any three points × 1 mark – or one explanation × 2 marks

- to provide information about the product (1)
- to enable the label to be screened at the check-out using a bar-code reader
- to speed up the process of payment at the check-out
- to save pricing goods individually (1) save costs of workers (1)
- to aid stock control
- to reactivate re-order stock levels/or owner knows what is selling well
- to provide market research information
- to enable buying of new supplies electronically
- to assist self-check-out systems

Any other relevant point. [3]

(d) Any four points × 1 mark each or two well explained points × 2 marks –

- enables customers to shop at their own pace (1) and to examine goods (1)
- may mean lower prices for goods (1) because of savings in labour costs (1)
- goods placed on shelves act as a reminder to customers (1)
- customers can compare the price/quality of different brands (1) and choose what they want (1)
- may save time queuing to be served (1)
- no need to be pestered by sales people (1)
- customers can purchase what they want to buy (1) so may be more control over spending (1)

Any other relevant point. [4]

(e) Level 2 (4–6 marks) Has discussed whether or not it is better to advertise on television rather than use national newspapers or billboards and has given a reasoned opinion. (If a candidate has discussed the use of television only award 4 marks max).

Mero is a large organisation. It will, therefore, use mass media to advertise its products and services because it will have a large advertising budget and it will need to compete with rival supermarket chains for market share.

Mero is likely to use television advertising because it can show what it offers and any special promotions visually, in colour and at peak viewing times for its target audiences. It can afford

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repeat advertising which would be necessary and to have adverts that last for some time. It is likely to use advertising agencies to manage this advertising.

Mero may make use of national newspapers particularly weekend newspapers and colour supplements. It can afford half page or full page advertising, colour and expensive visuals aimed at potential customers. It may not use newspaper advertising as much as in the past as many people no longer read newspapers on a daily basis.

It may make use of billboards in places where there is a large footfall. This would probably be back-up advertising for Mero. Billboards are colourful, relatively cheap to use and may remind people of what Mero has to offer.

Mero is likely to rely on television advertising rather more than the use of national newspapers or billboards. However, it is important that Mero uses many different advertising media in order to remain competitive among the supermarket chains.

Level 1 (1–3 marks) Has commented on the use of television and may/may not have mentioned national newspapers or billboards.

Mero is a large organisation. It can afford mass media to advertise its products. It will need to compete with rival supermarket chains. Mero will use television advertising. It shows coloured pictures and films of its products and promotions. It provides repeat advertising. It may use national newspapers including Sunday newspapers and billboards.

NB. Either newspaper or billboards, or both with TV, to get 6 marks. [6]

8 (a) Any two advantages explained × 2 marks each –

- it can transport its goods to anywhere (1) where there are roads available and make door-to-door deliveries (1)
- no other form of transport is needed compared with air/rail (1)
- it is able to make different sized deliveries (1) including small-scale deliveries (1)
- it can distribute goods that need special handling (1) e.g. perishables in refrigerated lorries (1)
- flexible – it does not have to adhere to a timetable – alter the route as necessary (1)
- there are many different kinds of road transport available (1) although the wholesaler is likely to use trucks and vans (1)
- it may be financially worthwhile to own its own road transport – flexibility, savings in costs, advertising on sides of vehicles (candidates may interpret the question as meaning owning transport – award up to full marks for this approach)
- quicker over shorter distances (1)

Any other relevant point. [4]

(b) (i) One mark for the example and two points × 1 mark each for the explanation –
Sole trader/private limited company/partnership

- a business that is owned by private individuals
- either singly/groups/families
- within the private sector / government have no say

Any other relevant point. [3]

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(ii) Any one characteristic × 1 mark –
- an organisation owned by the state/taxpayer/government
- the service is usually essential to most people

Any other relevant point. [1]

(iii) Any one advantage explained × 2 marks –
- Equal access (1)
- operated in the public interest (1) so may not be concentrating on profit (1)
- may provide a free service to consumers (1) e.g. health service (1)
- may put the consumer first (1) instead of e.g. shareholder interests (1)
- can provide subsidised service to the needy (1)

Any other relevant point. [2]

(c) Any two insurance principles described when making a claim × 2 marks –
- indemnity – not allowed to make a profit from a loss so may not over-claim for the loss (1+1)
- utmost good faith – must tell the truth when completing the claim form (1+1)
- insurable interest – must have a financial interest in what is claimed e.g. own the truck (1+1)
- subrogation – no one can be compensated and then retain ownership of the property that has been compensated for, e.g. if the truck is recovered (1+1)
- contribution – cannot claim from more than one insurance company for the same claim (1+1)
- proximate cause – the loss must be directly related to the incident that is insured and for which a claim is made (1+1)

Any other relevant point. [4]

(d) Level 2 (4–6 marks) Has discussed whether or not Hesdene is able stop the trend of customers buying directly from suppliers and has given a reasoned opinion. (If a candidate has given a one-sided argument award 4 marks max).

Some of Hesdene's customers are likely to be buying directly from producers because they are able to buy at lower prices in the quantities they require. These producers may be offering a better service e.g. fresher produce or may be close to their customers. Hesdene's customers may feel that they no longer require the services that Hesdene offers such as bulk breaking, delivery and storage because the customers are able to provide these services themselves. This would certainly be true of large-scale retailers with their regional distribution centres.

Hesdene may be able to stop this trend by concentrating on certain aspects of its business and certain of its customers. There may be many small-scale manufacturers who do not have the time or money to sell directly to customers and prefer to use the services of a wholesaler. Hesdene should try very hard to provide these services to these manufacturers. There are also many small-scale retailers who require small quantities of a variety of goods. Hesdene should provide them cash and carry facilities, special promotions, information on new products and credit to encourage them to remain loyal. Hesdene may also form a voluntary chain with several small-scale retailers. This will improve the buying power of the small-scale retailers and so retain their custom.

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Many retailers with sufficient buying power do buy directly from producers. There are still many businesses that required wholesaling services and cannot provide them themselves. Hesdene should concentrate on these customers and provide a quality service to them in order to survive.

Level 1 (1–3 marks) Has commented on the trend of customers buying directly from producers rather than through wholesalers with/without an opinion.

Some of Hesdene's customers are likely to be buying directly from producers. They buy at lower prices in the quantities they require. These customers may feel that they no longer require the services that Hesdene offers. They can provide them themselves. Hesdene may be able to stop this trend. It should concentrate on small-scale retailers. It should offer cash and carry services and special promotions to them. It should try to keep their custom and then it will survive. [6]

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