Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/21**

Paper 2 Case Study **May/June 2022**

MARK SCHEME

Maximum Mark: 80

Published

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

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

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

Cambridge International is publishing the mark schemes for the May/June 2022 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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[Turn over

Generic Marking Principles

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

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

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

GENERIC MARKING PRINCIPLE 2:

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

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

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

GENERIC MARKING PRINCIPLE 4:

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

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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

1 Components using point-based marking:

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

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

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

3 Calculation questions:

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

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4 Annotation:

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

0450/7115/0086 Business Studies – Paper 2 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable (used in part (a) questions).
Cross	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
APP	Application	Indicates appropriate reference to the information in the context.
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.
L1	Level 1	Used in part (b) questions to indicate where a response includes limited knowledge and understanding.
L2	Level 2	Used in part (b) questions to indicate where a response has a more detailed discussion and contains some evidence of justification.
L3	Level 3	Used in part (b) questions to indicate where a response includes a well-justified recommendation.

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Question	Answer	Marks
1(a)	**Explain <u>four</u> reasons why governments might support business start-ups.** Award 1 mark for each relevant reason (maximum of four). Award a maximum of 1 additional mark for **each explanation** of the reason. There are no application marks available for this question. Relevant reasons might include: • To reduce unemployment – new businesses create jobs and therefore help to reduce unemployment in the country / fewer welfare benefits to pay • To increase competition – new businesses will provide more choice for consumers and therefore will provide more competition for existing businesses / may keep prices lower and quality higher • To provide/have a wider variety of goods and services available – so there will be a wider choice for consumers • To increase output / improve standard of living – new businesses will produce more goods and services in the economy/increase in GDP • To benefit society – new start-ups may support social enterprises and therefore provide benefits other than just creating jobs • They may grow into larger businesses in the future – successful larger businesses started small, so it is worth supporting businesses to get started • Earns taxation – the business will pay tax if profitable and this will be a source of revenue for the government which they can then use for providing public services. • To motivate/encourage entrepreneurs – government support may reduce the risk of failure For example: To reduce unemployment (1) – as new start-up businesses often need to hire employees and these people may have been unemployed (1).	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Consider the benefits to Yasin of the <u>two</u> sections of his business plan shown in Appendix 1. Which section do you think helped him most when starting up his business? Justify your answer.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both sections.

Well-justified conclusion.

Candidates discussing both sections in detail, in context and with a well-justified conclusion including why the alternative section was rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one section.

Judgement with some justification / some evaluation of choice made.

Candidates discussing at least one section in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the sections with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining both sections in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No Creditable Response</td><td>0</td></tr>
</table></td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Relevant points might include:

<table>
<tr><td>Market research</td><td>• Able to identify the market for eating bread as being targeted at all age groups
• Market research shows that starting to produce cakes is likely to be successful as 70% of respondents want to buy cakes
• Use of local ingredients could be emphasised in advertising if MB changes production techniques and suppliers</td></tr>
<tr><td>Resources</td><td>• To be able to calculate how much start-up capital is needed by Yasin to buy the bakery equipment
• It is a starting point for Yasin to make the necessary purchases to get the bakery started
• helps him to more effectively plan for the opening of the bakery
• Helpful to identify the costs for Yasin to set up the bakery – to see if he needs a bank loan</td></tr>
<tr><td>Conclusion</td><td>Justification might include:
• Market research is the most important as this shows that the bakery has the demand for it to be successful. Without a demand for bread the business will fail. However, a lack of experience may mean the list is not accurate or complete and Yasin may need a lot more capital than he thinks.
• Resources is the most important as this helped Yasin to plan what items of equipment are required for the bakery and how much all these items will cost. This is important for Yasin to work out how much start-up capital is required and make sure he has sufficient finance to get started successfully or arrange to raise additional finance if necessary. However, the sample was small and therefore the results may not be accurate so Yasin may make bad decisions when starting the bakery.</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer	Marks
2(a)	**Explain <u>one</u> benefit and <u>one</u> limitation to Yasin of using a break-even chart.** Award 1 mark for each benefit/limitation (maximum of two marks). Award a maximum of 3 additional marks for **each explanation** of the benefit/limitation of using the break-even chart– **one of which must be applied to this context.** Relevant benefits might include: • Shows break-even output – so Yasin knows how much bread he needs to sell to break even – this will allow him to plan the bakery and equipment required – to ensure at least the minimum quantity of bread is produced and sold • Shows the margin of safety – this is the amount of bread Yasin predicts will be sold above the break-even output – it provides a target for sales of bread – so that MB makes a profit • Helps in decision making – so that Yasin knows the minimum target amount of bread to produce – he can see if he needs to increase the price to break-even more quickly – or if lower ingredient costs is required by MB to make a profit • Shows the area of profit or loss – and therefore what the output needs to be to cover all costs – if the market research shown in the business plan does not indicate that sufficient sales will be made to make a profit – then Yasin may need to think again about his plans for the bakery. Relevant limitations might include: • A break-even chart assumes all the output will be sold/provides an estimate of sales – but MB may not sell all the bread in the day – some may be wasted and the costs of producing these will not be taken into account – so at a specific output the business may not make a profit but may make a loss • The break-even chart is drawn on the assumption of straight lines – but when the output is higher Yasin may be able to bulk buy ingredients – this may mean he can receive discounts so the variable cost per unit may not be constant • Fixed costs/variable costs may change – if the scale of production changes as the bakery expands – the rent or depreciation of equipment will change/ingredient costs may change • Need a separate break-even chart for each product/need a new chart if prices are changed – relevant if going to make cakes For example: The chart shows the break-even output for MB (1) so Yasin will know how many units of bread he will need to sell each month to break even (app). This will allow him to plan for the equipment required (1) so he can ensure the bakery sells the minimum amount of bread to cover all the costs and not make a loss (1). **Application** could include: bread; bakery; cakes; data presented in Appendix 2; fixed costs will change if either of the options in Appendix 2 go ahead.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
Consider the following <u>two</u> ways MB could achieve lean production. Which is the best way for Yasin to choose? Justify your answer.

Kaizen.
Just-in-time inventory control.

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both ways.

Well-justified recommendation.

Candidates discussing both ways in detail, in context and with a well-justified recommendation including why the alternative way was rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one way.

Judgement with some justification / some evaluation of choice made.

Candidates discussing at least one way in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the ways with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining both ways in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Kaizen</td><td>• Employees might be able to offer suggestions about how small continuous changes may improve the efficiency of the bakery
• Helps eliminate waste – time is not wasted between tasks / eliminating waste of space / eliminating wasted resources
• As there is less time between the different processes of baking bread – it can lead to increases in productivity/efficiency
• There should be less work-in-progress – as the flow through and layout of the bakery is more efficient, and the amount of part-finished bakery products should be reduced</td><td>• The 2 employees may not be willing/able to make suggestions for improvements
• The employees may have reduced hours if efficiency is improved which may make them reluctant to help
• It will take time and/or money to reorganise the bakery to improve the flow of products through the different processes
• Yasin may not have the skills and knowledge to do this effectively – may have to pay someone else to plan the bakery layout – increased costs for a small business in the short-term
• There may be a limit to the improvements MB can make using Kaizen</td></tr>
</table></td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
<table>
<tr><td></td><td>Advantages</td><td>Disadvantages</td></tr>
<tr><td>Just-in-time inventory control</td><td>• Reduces the costs of holding inventory of ingredients such as flour
• Less working capital required to pay for inventory
• Less storage space required – reduces costs or makes more effective use of the bakery production area
• Bread and cakes will be fresh due to fresh ingredients – helps ensure customer satisfaction
• No excess ingredients purchased – so does not go out-of-date/does not go stale</td><td>• If there is an increase in demand for certain types of bread, then there may not be sufficient ingredients to meet the increased demand
• Any delays in orders being delivered may disrupt production and may stop the production of some items
• It relies on a good relationship between Yasin and his suppliers
• Relies on Yasin making the orders quickly when needed</td></tr>
<tr><td>Recommendation</td><td colspan="2">Justification might include:
• Kaizen is the most effective because it could save time between the different tasks performed in the bakery. This may speed up baking and allow more output to be produced in a shorter time period therefore increasing the output of bread and possibly increasing revenue or reducing costs as more efficient. JIT is less important as the bread is baked each day and ingredients will need to be purchased regularly anyway.
• Less working capital is required for JIT, so this is the best option for a small bakery as Yasin is likely to have limited funds to run the new business. The bread is made each day so fresh ingredients are required, and this makes JIT the most suitable because a small bakery may have limited opportunities to implement Kaizen ideas.</td></tr>
</table>
</td><td></td></tr>
</table>

Question	Answer	Marks
3(a)	**Explain <u>four</u> ways Yasin can advertise MB's products.** Award 1 mark for each appropriate way (maximum of four). Award a maximum of 1 additional mark **for each explanation in context**. Relevant ways might include: • Local radio – as the bakery attracts only local people so many potential customers may hear the advert • Local newspaper/magazine – as a voucher could be included for money off bread • Posters – in the window of the bakery shop to attract customers passing by • Leaflets/fliers – can be handed out in the local town centre so that potential customers will know the location of the shop as it is new • Social media – emphasise that he uses imported ingredients • Packaging/carrier bags – emphasise the ethical image of the business • Website/online/internet – so if consumers are searching for local shops that sell bread so it can give information of the products and location of the shop • Billboards – can be placed in busy areas of the local town directing them to the bakery location • Sponsorship – local sports team may have shirts with the MB name to raise awareness of the bakery • Word-of-mouth – existing customers recommend good bread/tasty bread to their friends and family For example: Leaflets (1) can be handed out in the local town centre and to raise awareness of where the bakery shop is located (app). **Application** could include: bread; bakery; cakes; bakery shop; uses imported ingredients; ethical image; ingredients; fresh products; sustainable packaging; consumed by all age groups.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>

Consider the <u>two</u> options outlined in Appendix 2. Which option should Yasin choose? Justify your answer using appropriate calculations.

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both options.

Well-justified recommendation.

Candidates discussing both options in detail, in context and with a well-justified recommendation including why the alternative option was rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one option.

Judgement with some justification / some evaluation of choice made.

Candidates discussing at least one option in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the options with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining both options in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Relevant points might include:
<table>
<tr><td>Option 1 – small cupcakes</td><td>• Sales are higher by 3900 per month (L1)
• Total cost is $5000 per month (L1)
• Total revenue $8000 per month (L1)
• Profit per month is $ 3000, $1000 more than Option 2 (L2)
• Break-even output 2000 cupcakes a month (L2)
• Forecast margin of safety is 2000 per month (L2)</td></tr>
<tr><td>Option 2 – large birthday cakes</td><td>• Total revenue $6000 (L1)
• Total cost is $4000 per month (L1)
• Profit per month is $2000 (L2)
• Break-even output 60 large birthday cakes a month (L2)
• Forecast margin of safety is 40 per month (L2)</td></tr>
<tr><td>Recommendation</td><td>Justification might include:
• Option 1 is the better one to choose as it has the higher profit by $1000 than Option 2 and a higher margin of safety (as a proportion of sales). Option 2 may have a higher predicted growth of sales, but this is only a forecast and may not happen. It is better to choose the more certain higher profit now than the possibility of higher sales later.
• Option 2 is better than Option 1 as the gross profit margin is 8.33% higher. However, the future growth of sales is forecast to be higher and may lead to higher profits in the future.</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer	Marks
4(a)	**Explain <u>one</u> advantage and <u>one</u> disadvantage of Yasin using a democratic leadership style.** 1 mark for each advantage/disadvantage identified (maximum 2 marks). Award a maximum of 3 additional marks for **each explanation** of an advantage/disadvantage of Yasin using a democratic leadership style – **one of which must be applied to this context.** Relevant answers might include: Advantages: • Better decisions – as employees are consulted – may offer additional ideas from own experience of doing the job • Motivating for employees – asked to offer opinions before decisions are made – feel more trusted/valued – less likely to leave/lower labour turnover • Employees work better due to their sense of belonging/builds a relationship – more productive/positive Disadvantages: • Takes time to consult employees – Yasin and the employees could be more productive doing other jobs – less productive/less output produced • Unpopular decisions may be difficult to make – such as making employees redundant – may be less effective if employees are asked for their opinions as the decision may affect them directly – therefore opinions may be biased • Employees may not have the experience to make suitable contributions – unable to make helpful suggestions • Suggestions made by employees may be different to the objectives of management – may lead to conflict/confusion For example: Better decisions may be made by Yasin (1) because employees are asked for their opinions before decisions are made (1). Yasin only employs 3 people (app) so it will be easier for them to offer additional ideas from their own experience of doing the job (1). **Application** could include: bakery; 3 employees; work five days a week: paid legal minimum wage: produce bread; Yasin needs to keep the business competitive; introduction of cakes; changing suppliers; ethical image	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>
Consider the following <u>three</u> ways Yasin could improve the ethical image of MB. Which way would be most effective? Justify your answer.

Buying all ingredients from local suppliers.
Using only environmentally friendly packaging.
Increasing wage rates to 20% above the legal minimum wage.

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more ways.

Well-justified conclusion.

Candidates discussing all three ways in detail, in context and with a well-justified conclusion including why the alternative ways were rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one way.

Judgement with some justification / some evaluation of choice made.

Candidates discussing two or more ways in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the ways with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining all three ways in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Buying all ingredients from local suppliers</td><td>• Ingredients are obtained with less pollution from transportation as they will no longer be imported
• Support local community as flour produced by local businesses
• Delivery is cheaper / quicker – less impact on the environment
• Popular with customers – research showed 85% wanted this
• Can compete with local competitors – they already use local suppliers</td><td>• Costs of ingredients are likely to be higher than low-cost imports and may have to charge higher prices
• May not be able to purchase all the range of ingredients you want – may restrict the range of bread produced</td></tr>
<tr><td>Using only environmentally friendly packaging</td><td>• Improves the brand image for the bakery – more attractive to consumers who are environmentally aware – target a different market segment
• Will not be affected if new environmental laws demand sustainable packaging
• Reliable supplier available (appendix 3)
• Less chance of pressure group activity</td><td>• May reduce the quality of the bakery products if the packaging does not protect the bread as well
• Takes time to source the environmentally friendly packaging – less time for Yasin to carry out other tasks
• Likely to cost more than current packaging – not all customers will be willing to pay higher prices</td></tr>
</table></td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>
<table>
<tr><td></td><td>Advantages</td><td>Disadvantages</td></tr>
<tr><td>Increasing wage rates to 20% above the legal minimum wage</td><td>• Employees more motivated – Taylor's motivation theory – workers treated well/feel appreciated
• Lower labour turnover – as other employers may be less ethical
• Easier to recruit new employees – as attracted by higher rates of pay by a good employer</td><td>• Wage costs will be higher – increasing total costs – possibly lower profit
• If other bakeries pay higher wage rates, then MB may not have any advantage and it may not motivate employees
• The higher wage policy may not be known in the local community hence little effect on reputation</td></tr>
<tr><td>Recommendation</td><td colspan="2">Justification might include:
• Buying from local suppliers is best because it supports local businesses, and this will make the bakery popular with local people. The business is small and relies on local customers and local people in the town may have relatives running other local businesses, improving MBs image and reputation. Paying higher wages may not be known by customers and therefore may not help to improve MB's ethical image and packaging may just be thrown away by customers who may not take much notice of what is used for packaging as they will be more interested in the product.
• Having environmentally friendly packaging is most important even if the costs are slightly higher for the packaging as this should ensure the bakery packaging is sustainable which is a good marketing point which may be popular with many potential customers. Buying from local suppliers may not be possible if the range of ingredients isn't wide enough or increasing the wage may increase costs too much for MB to remain competitive.
• Paying above the minimum wage will make the bakery a better place to work for the 3 employees and will make them less likely to leave. They will also tell their family and friends about the bakery, and this will improve the image of the bakery therefore attracting local people to buy their bread from BM.</td></tr>
</table>
</td><td></td></tr>
</table>

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