

Mark Scheme (Results) Summer 2008

GCE

GCE Economics and Business (6361)

6361/01 Mark Scheme June 2008

Question Number	Indicative content
1(a)(i)	<p>Knowledge 2 marks</p> <p>The reason most businesses exist, to earn a <u>profit</u>, achieved where income exceeds expenses. One of the incentives for people to start and run their own business.</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
1(a)(ii)	<p>Knowledge 2 marks</p> <p>The process of making improvements by introducing something new. The term innovation may refer to both radical and incremental changes to products, processes or services. In this case an innovative wine refers to wines which have original and distinctive characteristics.</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
1(a)(iii)	<p>Knowledge 2 marks</p> <p>When the quantity supplied at a given price is greater than the quantity demanded at a given price (allow supply is greater than demand). In this case there are 100 million litres of unsold wine.</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
1(b)	<p>Knowledge 1, Application 3 marks</p> <p>Responses to this question may differentiate between those wine producers who are market orientated and those who are product orientated. Changing tastes and preferences means that some producers are likely to see falling demand and others increasing demand. Market orientated producers may respond by changing the product that they offer consumers. Those who fail to adapt may experience falling prices and possibly bankruptcy.</p> <p>Expect to see a clear explanation as to how changing tastes and preferences may affect producers in either positive and negative ways and how they react to these changes.</p> <p style="text-align: right;">3-4 marks</p> <p>A valid assertion which is not fully convincing should be rewarded with marks in the lower band of marks</p> <p style="text-align: right;">1-2 marks</p>

Question Number	Indicative content
1(c)	<p>Knowledge 1, Application 2, Analysis 3 marks</p> <p>One possible objective for entrepreneurs such as Eric Heerema in developing their business may be to make a profit. This is often cited as a primary objective of business. In the case study this may not be an immediate objective. The firm has undertaken a major investment and expansion. In this case there is a clear objective to increase sales and build market share. By implication there is an intention to produce a quality product. The response does not have to be about Eric Heerema, accept any plausible reason e.g. some entrepreneurs are altruistic and are not motivated by profit, some are motivated by 'the deal' and sense of personal satisfaction. The best answers should offer a clear explanation of two possible objectives of entrepreneurs such as Eric Heerema when developing their business.</p> <p>There will be clear evidence of a reasoned identification of two appropriate strategies. At this level reasoning should be evident. Candidates should understand why entrepreneurs may have these objective. Expect to see appropriate use of business and economic concepts at this level. Look for two points developed</p> <p style="text-align: right;">5-6 marks</p> <p>There will be a clear awareness of possible objectives. At this level responses may be generic and application of the toolkit may be limited. Look for two points, with at least one point well developed.</p> <p style="text-align: right;">3-4 marks</p> <p>There is little of merit beyond relevant assertions that have the potential for valid development.</p> <p style="text-align: right;">1-2 marks</p>

Question Number	Indicative content
1(d)	<p>Knowledge 1, Application 2, Analysis 3 marks</p> <p>Producers of the 2004 Bordeaux vintage faced market disequilibrium. This can be addressed by cutting prices and accepting lower profit margins or in the longer term cutting output. The problem facing producers is over production resulting from a change in the tastes and preferences of consumers who have developed a preference for New World wines. It would be valid to show the Demand Curve shifting to the left as consumers substitute New World wines for the French wines with a corresponding fall in price as stated in the evidence. Very able candidates may be able to show a surplus but at this level do not expect it.</p> <p>Diagram is correct and properly presented/labelled with a clear explanation. 5 - 6 marks</p> <p>Diagram is correct but explanation is not OR vice versa. Neither diagram or explanation is spot on but there is some merit. 3 - 4 marks</p> <p>Some merit but vague and/or inaccurate. 1 - 2 marks</p> <p>Answers lacking a diagram OR an explanation, maximum of 3 marks. For a diagram <u>only</u> or an explanation <u>only</u> they must be perfect and clear to gain 3 marks. Otherwise 2 marks or less dependent upon quality.</p>

Question Number		Indicative content
1(e)		<p>Knowledge 1, Application 2, Analysis 2, Evaluation 3 marks</p> <p>Candidates may identify strategies to increase demand for the product such as advertising, branding, promotion etc to achieve competitive advantage. Alternatively they may consider ways of increasing contribution. Possible approaches may focus on cutting costs or increasing the selling price. To reach the higher levels some form of evaluative comment is needed eg whilst advertising may increase sales it also adds to costs, profits will not be maximised unless the gains from the advertising outweigh the extra costs. Differentiation between candidates will come from the assessed skills. With a clear 'Evaluate' command, some judgement in a conclusion is particularly significant.</p> <p>The question is specifically about Nyetimber, responses should be appropriate for a business of this size.</p>
Level	Mark	Descriptor
Level 4	7-8	<p>Candidates should identify two appropriate ways of increasing sales. At this level candidates should be able to discuss the appropriateness of the proposed strategies.</p> <p>Level 4 responses should exercise a clear judgement.</p>
Level 3	5-6	<p>Two plausible arguments must be considered and there should be some attempt at evaluation. Responses may be slightly flawed or lack full development. It is possible that responses may lack balance and use of toolkit may be limited.</p>
Level 2	3-4	<p>Candidates may consider potential ways of maximising profits but may not fully develop their ideas. At this level responses may be black and white. Analysis is likely to be thin. Evaluation may be based on assertions or be non-existent. Answers may have less focus on the context and offer generic insights.</p>
Level 1	1-2	<p>There is little of merit beyond relevant assertions that have the potential for valid development.</p>

Question Number	Indicative content
2(a)(i)	<p>Knowledge 2 marks</p> <p>Advertising is a process of raising awareness of a firm's product or service. It can take different forms and is designed shift the demand curve to the left and can make demand for a product more price inelastic.</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
2(a)(ii)	<p>Knowledge 2 marks</p> <p>Allow two interpretations here, it can be a place real or abstract where buyers and sellers interact. In the context of the article it could also mean a market segment ie groups of consumers who share common characteristics and can be identified in terms of (for example) gender, geographical area, socio-economic status, age etc.</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
2(a)(iii)	<p>Knowledge 2 marks</p> <p>The income of a business from the sale of its goods or services over a period of time before any costs are paid. It can be calculated by Price x Quantity sold.</p> <p>Do not accept vague phrases such as "money made" unless further development makes the meaning clear as to where the money has come from.</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
2(b)	<p>Knowledge 1, Application 3 marks</p> <p>Brands are a way of differentiating a product and building relationships with consumers. Strong brands will have a strong reputation which may influence purchasing decisions. They may also enable a premium price to be charged.</p> <p>Expect to see of the importance of brands and how they may add value to a firm's product.</p> <p style="text-align: right;">3-4 marks</p> <p>A valid assertion which is not fully convincing should be rewarded with marks in the lower band of marks.</p> <p style="text-align: right;">1-2 marks</p>

Question Number	Indicative content
2(c)	<p data-bbox="523 237 1150 271">Knowledge 1, Application 2, Analysis 3 marks</p> <p data-bbox="523 304 1517 506">The best answers should offer a clear explanation as to why consumers might pay a premium price for brands such as Aston Martin cars and Omega watches. Paying premium prices may be justified on the grounds of ensuring exclusivity and gaining status through the acquisition. Consumers might also conclude that by buying premium priced products that they are ensuring that they acquire a quality good.</p> <p data-bbox="523 539 1517 640">There will be a clear understanding of the potential benefits for consumers of paying premium prices for high status, exclusive goods. Look for two well developed points with good use of toolkit.</p> <p data-bbox="1377 640 1517 674" style="text-align: right;">5-6 marks</p> <p data-bbox="523 707 1517 943">There will be some understanding of the benefits for consumers buying exclusive brands. It is unlikely that comments will be qualified. Candidates may place greater emphasis on assertion. Candidates may conclude that in most cases consumers buying these goods will have high levels of disposable income and will be able to afford luxury items. At this level responses may have a narrow focus and application of the toolkit may be limited.</p> <p data-bbox="1377 943 1517 976" style="text-align: right;">3-4 marks</p> <p data-bbox="523 1010 1517 1077">A valid assertion which is not fully convincing should be rewarded with marks in the lower band of marks.</p> <p data-bbox="1377 1077 1517 1111" style="text-align: right;">1-2 marks</p>

Question Number	Indicative content
2(d)	<p>Knowledge 1, Application 2, Analysis 3 marks</p> <p>This question is about the consequences for Eon Films and <u>not</u> for the other stakeholders. By cutting the number of sponsors Eon Films may hope to increase exclusivity, encouraging those remaining sponsors to pay more for the privilege. Candidates who reach this level of analysis will probably score 4 marks or more.</p> <p>Eon Films may hope that by adopting a more conservative approach the audiences see that film as more than an advert and continue to go to the cinema. Differentiation between candidates will come from the assessed skills particularly analysis.</p> <p>Candidates should identify the implications of cutting the number of sponsors. At this level candidates should be able to analyse the consequences of the proposed strategy.</p> <p style="text-align: right;">5-6 marks</p> <p>Candidates may consider the consequence of reducing the number of sponsors. At this level responses may be black and white, analysis is likely to be thin or based on assertions. Answers may have less focus on the context and offer generic insights.</p> <p style="text-align: right;">3-4 marks</p> <p>There is little of merit beyond relevant assertions that have the potential for valid development.</p> <p style="text-align: right;">1-2 marks</p>

Question Number		Indicative content
2(e)		<p>Knowledge 1, Application 2, Analysis 2, Evaluation 3 marks</p> <p>Sony may see a commercial advantage from linking their products with the character of James Bond. Sony may well argue that the James Bond character exemplifies the qualities found in Sony products. They may suggest that their products are dynamic, rugged and reliable just like James Bond. By associating their product with the film they may wish to target a particular market segment and shift more of their goods. On the other hand, the costs of the sponsorship may outweigh the gains in sales. The Bond image may also deter potential Sony customers, it could be argued that Bond fans are usually male and of a certain age!</p>
Level	Mark	Descriptor
Level 4	7-8	Candidates should clearly identify and develop the implications of entering into an arrangement with Eon Films. Good use of toolkit is expected. At this level candidates should be able to discuss the appropriateness of the proposed strategy. There should be a clear attempt at evaluation.
Level 3	5-6	Two plausible arguments must be considered and there should be some attempt at evaluation. Responses may be slightly flawed or lack full development. It is possible that responses may lack balance and use of toolkit may be limited. A very good answer without evaluation can reach level 3 - 5 marks maximum.
Level 2	3-4	Candidates may consider the consequence of developing a link with Eon Films. At this level responses may be black and white. At this level analysis is likely to be thin and may be based on assertions such as it will lead to increased sales as people associate the product with James Bond. Answers may have less focus on the context and offer generic insights.
Level 1	1-2	There is little of merit beyond relevant assertions that have the potential for valid development.

Question Number		Indicative content
3(a)		<p>Knowledge 2, Application 3, Analysis 3 marks</p> <p>Market segmentation is the process in <u>marketing</u> of dividing a <u>market</u> into distinct subsets (segments) that behave in the same way or have similar needs.</p> <p>The aim is to identify groups of similar customers and potential customers; to understand their behaviour; and to respond with appropriate marketing strategies that satisfy the different preferences of each chosen segment.</p> <p>Segmentation can lead to improved <u>marketing effectiveness</u>. Advertising can be made more effective and customer satisfaction increased. Within the wine market consumers have different tastes and preferences. By targeting more than one segment wine producers may be able to maximise sales, revenue and profitability. It may well be a way of profit maximising.</p>
Level	Mark	Descriptor
Level 4	7-8	There is clear and convincing logical analysis of the reasons why wine producers may choose to target more than one market segment. At this level we are looking for balanced examination of the reasons for targeting more than one market segment. Appropriate use of concepts and theory will be evident
Level 3	5-6	Candidates should develop a reasoned examination of the likely consequence of providing products for more than one market segment. Appropriate use of concepts and theory should be evident.
Level 2	3-4	Candidates offer simple arguments without developing reasoned analysis. At this level there may be a strong element of assertion evident in the response.
Level 1	1-2	Candidates offer some relevant insights. Responses may lack appropriate development Little of merit beyond relevant assertions.

Question Number		Indicative content
3(b)		<p>Knowledge 2, Application 1, Analysis 3, Evaluation 6 marks</p> <p>This question should be a key differentiator between candidates. In general terms increasing the tax on a bottle of wine may be expected to increase the price as producers seek to pass the cost onto consumers. At the cheaper end of the market this may have a significant impact on sales. At the top end of the wine market the effect may be limited. The Champagne segment is likely to buy the wine even if there is a small increase in the price. The consequence in this respect may be negligible for Champagne producers.</p> <p>At the lower end of the market consumers may switch to cheaper drinks or reduce the quality and frequency of their wine purchasing.</p>
Level	Mark	Descriptor
Level 4	10-12	Clarity of thought is combined with links to the context and there is sound evaluation of relevant points. There is a clear understanding of the consequences of a change in taxation on the purchasing decisions of consumers.
Level 3	7-9	Candidates offer a reasoned argument which may highlight the impact on sales of wine resulting from an increase in the amount of tax paid on a bottle of wine. The assessment of the impact of an increase in the tax on a bottle of wine may lack balance. There must be an attempt at evaluation at this level.
Level 2	4-6	There will be some understanding of the implications of an increase in tax. Analysis/evaluation is likely to be unconvincing or limited.
Level 1	1-3	Assertions suggest some awareness of the impact of an increase in the tax paid on wine.

Question Number		Indicative content
4(a)		<p>Knowledge 2, Application 3, Analysis 3 marks</p> <p>Building a reputation is one way of ensuring that a company is successful, providing the reputation is a positive one. Reputation can come from pricing competitively, offering a quality product, good customer service, producing an attractive design or targeting a particular market segment. It may encourage consumer loyalty and word of mouth advertising and can be a significant source of competitive advantage. It can also enable premium prices to be charged.</p> <p>The computer market is competitive so reputation can be important in ensuring sales.</p>
Level	Mark	Descriptor
Level 4	7-8	There is clear and convincing logical analysis of the importance of reputation for firms such as Sony. At this level we are looking for balanced examination of the significance of reputation as an influencing factor on buyers decisions. Appropriate use of concepts and theory will be evident.
Level 3	5-6	Candidates should develop a reasoned examination of the likely importance of reputation and its ability to influence buying decisions. Appropriate use of concepts and theory should be evident.
Level 2	3-4	Candidates offer simple arguments without developing reasoned analysis. At this level there may be a strong element of assertion evident in the response.
Level 1	1-2	Candidates offer some relevant insights. Responses may lack appropriate development Little of merit beyond relevant assertions.

Question Number		Indicative content
4(b)		<p>Knowledge 2, Application 1, Analysis 3, Evaluation 6 marks</p> <p>This question should be a key differentiator between candidates. A wide range of possible answers could be seen to this question. Candidates may identify sources of competitive advantage and discuss those. The article also identifies possible sources of additional revenue such as sponsorship, product placement and selling its product through a range of different mediums and in different formats. The consequences of cost cutting for profitability may also be discussed. Merchandising will also offer additional opportunities for increasing sales. Typical answers may make reference to innovation, exclusivity and an emphasis on uniqueness.</p>
Level	Mark	Descriptor
Level 4	10-12	Clarity of thought is combined with two clear and well developed strategies with sound evaluation of relevant points. A range of different approaches to increasing revenue or cutting costs in order to increase added value are identified, and their implications gauged.
Level 3	7-9	Candidates offer a reasoned argument which may identify two approaches that may add value. The response may not be fully developed or may lack balance. There must be an attempt at evaluation at this level.
Level 2	4-6	There will be some understanding of possible approaches to adding value. Analysis/evaluation may be assertion based and/or unconvincing or limited.
Level 1	1-3	Assertions suggest some awareness of the approaches that may be adopted in order to add value. The response at this level may be more list like.

