

Question 1

Question Number	Answer	Mark
2(a)	Knowledge 1, Application 2, Analysis 1 QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge/understanding: 1 mark for understanding the limitations of secondary market research data, e.g. - The data is collected by an organisation for general use Application: up to 2 marks for contextualised example, e.g. - Data is from 2016 - Data is 3 years old - Consumers aged 40–59 account for 63.2% of coffee consumption in the USA Analysis: 1 mark for explaining a limitation of the secondary market research data, e.g. - The demographic information may have changed, potentially making it inaccurate/less useful	(4)
2(b)	Knowledge 2, Application 1, Analysis 1 QS3: construct and interpret a range of standard graphical forms Knowledge/understanding: 1 mark for correctly constructing supply and demand curves 1 mark for correctly labelling axes, price and quantity Application: 1 mark for Correctly interpreting the shift in demand curve to the left Analysis: 1 mark for drawing the original and new equilibrium on the quantity and price axes	(4)

Question Number	Indicative content	Mark
2(c)	Knowledge 2, Application 2, Analysis 3, Evaluation 3 - A trading bloc is a group of countries that trade freely with reduced or no tariffs and quotas on trade between businesses in these countries Benefits to Lavazza - Lavazza has purchased Kicking Horse and therefore has a business based in Canada. This will allow Lavazza to access the market in USA and Mexico freely as well. - There is no common tariff structure in NAFTA; each member state has its own policies and imports from economies outside NAFTA. This means that supplies of coffee beans may be imported more freely than if there was a common external tariff. <i>Potential counterbalance</i> - Free trade as part of NAFTA means that US businesses such as Starbucks provide competition to Lavazza in the Canadian market and may limit competition through aggressive pricing and promotion - NAFTA membership may not be a large advantage to Lavazza because it is a business supplying mainly to specialist outlets, rather than importing or exporting manufactured goods. The cost advantages may therefore be smaller. <i>Potential judgement</i> - NAFTA gives Lavazza a range of opportunities to expand from Canada into the US and Mexico, but it seems to be more focused on the more niche organic/fair-trade segment in Canada in the short-term, and may therefore be less concerned with the access to other markets NAFTA offers.	(10)

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Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–6	Accurate and thorough knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7–10	Accurate and thorough knowledge and understanding, supported by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced and well contextualised, using

		quantitative and qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.
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Question Number	Indicative content	Mark
2(d)	Knowledge 2, Application 2, Analysis 4, Evaluation 4 - The marketing mix is a plan for using the right blend of product, price, promotion, and place in order to maximise sales Importance of marketing mix to global markets - Disposable income levels may be lower in some global markets such as those in Mexico. This might require a different pricing strategy to that in Italy and Europe - The product may be adapted to be more focused on organic and fair-trade coffee, which is a growth market in Canada <i>Potential counterbalance</i> - In Lavazza's case it is stated that Kicking Horse 'fits well' in Lavazza's product portfolio, which suggests that the Product aspect of the marketing mix may not need to be adapted - As Lavazza has a successful marketing mix in Europe and therefore may not need to change its marketing approach and this strength can be transferrable to Canada and other global markets <i>Potential judgement</i> - Lavazza has 120 years of experience in the coffee market in Europe and many of the features of these developed markets are similar. Marketing that works in Europe is likely to work in North America too, particularly if Lavazza can use its 'Europeaness' as a USP - North America is a mature coffee market, with a range of existing businesses operating there. Adapting the marketing mix, particularly the product towards differentiating on the basis of fair-trade/organic, is necessary for Lavazza to succeed.	(12)

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Level 4	9–12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s)

	and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.	
Question Number	Indicative content	Mark
2(e)	Knowledge 4, Application 4, Analysis 6, Evaluation 6 Option 1 • An organisation structure shows who is answerable to whom in an organisation. It can also show vertical and horizontal communication links. • The extract suggests that attempts to flatten structures in Starbucks outlets have increased stress and workloads on managers, which in turn may have reduced motivation for staff • A change to a tall organisational structure should improve communication, such as new supervisors, or simply more subordinates will help to improve relations with customers and employers as communication will be clearer because people will know who to speak to • However, the structure itself might not be as important as the way staff are managed. If they are seen as a 'cost' to be minimised, then the motivation may be reduced and employees are less likely to be open to new employer initiatives, such as North Star. • However, the number of staff working at each outlet seems to be the main issue. How staff are organised is possibly therefore less important in terms of its impact on employer-employee relationships Option 2 • Flexible working includes multi-skilling, part-time, temporary working, and flexible hours. • For example Starbucks staff receive university tuition assistance, flexible working hours, and Starbucks shares at a discounted rate. • Some staff such as parents whose availability may not include normal daytime hours, may be attracted by the flexible working at Starbucks. This could improve employer-employee relations as staff feel that their personal circumstances are being taken into account • However, employer-employee relations may be damaged as more flexible working hours for Starbucks employees may mean that managers find it more difficult to organise their staff rotas, which both parties may resent • Starbucks customer service seems to be suffering from a lack of workers available on each shift. This might be helped by flexible working, but the total working hours available might be more important to Starbucks than employees or managers	

Potential judgement:

- The problems caused by the North Star initiative seem to be related to the way that staff are managed and treated, rather than the way they are organised. If the move towards flatter structures has caused the reduction in staff working in each store, then a return to a taller organisation, with Starbucks staff being supervised and managed more effectively, then the organisational structure is the main thing to improve.
- If the staff problems are more to do with not having sufficient colleagues to work during busy periods, then a more flexible approach to working might be the most important thing. This would allow staff to be brought in to work in busy periods such as breakfast and then leave work at quieter times in the mid-morning.

Market	As Starbucks operate in a competitive market, a flatter structure should allow them to cut costs and remain competitive.
Objectives	North Star has identified a need to improve approaches to staffing, so a focus on getting the organisation structure should improve relations.
Products/services	Workers in coffee shops are often low-skilled and businesses such as Starbucks often face high labour turnover. Therefore, flexible working should allow new staff to fit in to the business at times and in roles to suit them.
Situation	Starbucks instigation of the North Star plan shows there is a need to improve Human Resources at the business. It appears that it is the way the plan has been implemented that is causing employer/employee problems, so if it is managed effectively the change in structure could work.

(20)

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Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/ effect(s) are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. Quantitative or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a

		conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendation(s).

Question 2

Question Number	Answer	Mark
1(a)	Knowledge 1, Application 3 Quantitative skills assessed: QS7: Interpret values of price and income elasticity of demand QS9: Interpret, apply and analyse information in written, graphical and numerical forms. Knowledge: 1 mark for - Income elasticity of demand = %Change in quantity demanded/%change in income Application: up to 3 marks for using appropriate data %Change in quantity demanded = $(144-140=4)/140 \times 100 = 2.86\%$ (2 d.p.) %Change in Income = $(£27\ 195 - £27\ 000= 195)/27\ 000 \times 100 = 0.72\%$ (2 d.p.) - YED = $2.86/0.72 = 3.97$ (Income elastic) NB: Answer may vary due to rounding method used. All acceptable e.g. - YED = $2.85714285714 / 0.72222222222 = 3.96$ 3.95604395605 (2 d.p.) Correct and 4 marks, even if candidate has written 2.85/0.72 as working. - YED = $2.9/0.7 = 4.14$ 4 marks if correct answer is stated without working shown.	(4)
Question Number	Answer	Mark
1(b)	Knowledge 1, Application 2, Analysis 1 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge/understanding: 1 mark for understanding what is meant by elements of the design mix: - At least one of the following: aesthetics; function; economic manufacture Application: up to 2 marks for contextualised answer e.g. - Function - 31% of customers are concerned about healthiness of fast food - Aesthetics - Hot Chip could continue to develop their alternative toppings such as Swiss cheese/gherkin relish - Economic Manufacture – using cheaper methods to produce chips Analysis: 1 mark for - So Hot Chip could change the ingredients to make the chips healthier - So Hot Chip could change the appearance of the chips	(4)

	with these new toppings to make them more appealing • So Hot Chip could pass on lower costs to customers in lower prices	
Question Number	Indicative content	Mark
1 (c)	Knowledge 2, Application 2, Analysis 3, Evaluation 3 • Quantitative research data is numerical. • Quantitative research data is often more easily collected and cheaper than qualitative research, through methods such as brief questionnaires or visits to potential competitors • Qualitative research data is collected to find out the motivations behind consumer behaviour. Likely reasons could include: • Quantitative research data based on Great Yarmouth market stalls told Hot Chip that as much as 50% of sales was for chips only • This led Lord Somerleyton to believe there was a gap in the market for a chip-only fast food business. • Internal sales data told Hot Chip that chips on their own were initially popular, but then customers were requesting more adventurous toppings <i>Potential counterbalance</i> • Qualitative data tends to provide more in-depth and valuable research information • For example, a focus group or consumer panel could be assembled in order to suggest new toppings and identify trends in customers' tastes in advance • Fast food customers may be concerned with the taste of their products, such as chips and this is more accurately researched through qualitative methods such as interviews and customer feedback forms <i>Potential judgement</i> • For a new business just starting, such as Hot Chip, quantitative research is the most straightforward and cheapest, particularly when the business has other set-up costs such as fitting restaurants and sourcing new ingredients • Qualitative research data provides more valuable data for a business such as Hot Chip, which has a specialist market niche and will not find broad quantitative data such as government statistics or competitors' sales information as useful or accessible.	(10)

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1(d)	Knowledge 2, Application 2, Analysis 4, Evaluation 4 • Creating and setting up a business is the initial idea and risk involved in beginning a business, which will involve understanding consumer tastes and may also involve raising finance • Lord Somerleyton has done this through spotting a desire for customers to be willing to buy chip-only fast food, based on high quality potatoes Reasons why this is important: • Lord Somerleyton has also conducted small sample research on fish and chip businesses in Great Yarmouth as part of his set-up process • He has also spotted an opportunity for a mobile fast food facility that would target a different market (late night party-goers) to those that might visit fixed outlets (mass market customers) <i>Potential counterbalance</i> • Other roles of the entrepreneur will include: running and expanding the business; innovating within a business; anticipating risk and uncertainty in the business environment • Lord Somerleyton wants to expand the business to a national brand, but recognizes the importance of establishing 4 or 5 successful 'saloons' before that • This role of expanding the business will involve identifying	

	and sourcing new finance for new properties in which to sell Hot Chip, as well as recruiting managers for the new 'saloons' that share Lord Somerleyton's vision for the new business - Running the business also means that Lord Somerleyton should keep his customers happy and also bring in new customers. His expansion of the toppings range to include Hot Salt beef etc. could help, but as well as attracting new customers he needs to be innovative in keeping the customers he already has. <i>Potential judgement</i> - Creating and setting up the business is an important first step for an entrepreneur such as Lord Somerleyton, because without this initial risk-taking there would be no	
	business to establish. Finding a gap in the market such as hot chips that is sustainable for a new business needs to be carefully researched and led by the entrepreneur - However, this role is only important in the initial set-up period. Different roles such as working with his business partner Toby and recruiting and leading new staff as more branches are open will become more important – particularly if the plan to expand nationwide is followed. - The importance of each role of the entrepreneur may depend on the plans for their business. Lord Somerleyton plans to expand locally and nationally with Hot Chip, so his role in running and expanding the business becomes more important. If he were to be happy with a small number of Hot Chip outlets, he may turn to looking at other business ideas, which would raise the importance of the creation and set-up role.	(12)

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Question Number	Indicative content	Mark
1(e)	Knowledge 4, Application 4, Analysis 6, Evaluation 6 Option 1 - Autocratic leadership assumes that decision-making is best kept with managers, who will direct subordinates with little consultation - Autocratic leadership can suit fast-paced business environments such as the fast food business, where quick customer service is an expectation and staff may not have time to ask questions or consult on decisions such as the best way of organising the processing of customer orders - Autocratic leadership can also suit businesses with high staff-turnover, which is often a characteristic of fast food businesses – workers may receive limited training and need direction from an experienced manager. - As Hot Chip is a new business, with a unique product, it may be that the owners want managers to direct workers in an autocratic way so that the business culture can be established and high levels of customer service through accurate food orders and quick service, are provided Option 2 - Democratic leadership means leading a business based on decisions agreed by the majority. It involves consultation between managers and subordinates. - Democratic leadership might suit a new business such as Hot Chip because subordinates who are serving customers will gain an understanding of what is popular and what customers see as important – this can be relayed to managers in meetings and inform decisions about menus, working rotas, and dishes/flavours - Evidence D suggests that managers in the fast food industry that train and listen to employees tend to help deliver higher levels of customer service. This comes from open communication and offering a realistic perspective on working in the fast food business. - As a new business Hot Chip may recruit staff from other fast food outlets that can offer suggestions of procedures and ways of organising that work well. If managers can take advantage of this knowledge and experience, this could improve the performance of Hot Chip as it establishes itself.	
	<i>Potential judgement:</i> - Autocratic leadership may be most suitable in the first few months of a new Hot Chip saloon opening. This should provide stability and clarity to new staff as they join and could help Lord Somerleyton establish a clear business culture in keeping with the values he had in setting up the business. - Hot Chip is a different type of fast food outlet to places such as McDonalds – its menu is still evolving and consulting with employees from the beginning is likely to have a positive impact on customer service and the way staff are organised and work.	

- It is likely that managers may use a combination of leadership styles, but the one which is most dominant may depend on the priorities that Lord Somerleyton has for the business and linked to this, the nature of the managers recruited.

Example of possible 'MOPS' recommendations

Market - The market in this case is the labour market. In order to recruit managers effectively in a market which tends to suffer from high rates of labour turnover it might be appropriate to apply a democratic approach to make such positions more attractive as those appointed feel that their opinions matter when it comes to decision-making (empowerment)

Objectives - Hot Chip is a new business so survival may be critical which suggests that autocratic leadership may be most suitable to provide clarity and stability and a clear business culture and values

Product - Hot chips menu is evolving
Consulting with employees from the beginning is likely to motivate staff and so have a positive impact on customer service

Situation - There is a general lack of staff training in the fast food industry (Newman) so to 'instil the correct work habits immediately' an autocratic managerial approach may be most appropriate to prevent 'confused' staff.

(20)

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