

INTERNATIONAL A-LEVEL **BUSINESS**

BU03

Unit 3: Business Strategy

Mark scheme

January 2024

Version: 1.0 Final



Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study business in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about business. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
AO2	Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
AO3	Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

The marking grids

The specification has generic marking grids for each Assessment Objective that is customised with indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

Within each Assessment Objective there are three or four broad levels representing different levels of achievement. Do not think of levels as equivalent to grade boundaries.

The indicative content gives examples of the kind of things students might do that would exemplify the level. They are neither exhaustive nor required – they are simply indicative of what would appear at this level. You will find that they sometimes indicate areas of content that can be handled with increasing sophistication and subtlety. You will also find statements which only characterise work at the bottom or top of the range.

Depending on the part of the examination, the levels will have different mark ranges assigned to them. This will reflect the different weighting of Assessment Objectives in particular tasks and across the examination as a whole. You may be required to give different marks to bands for different Assessment Objectives.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level for an individual Assessment Objective. The number of marks per level will vary depending upon the number of marks allocated to the various Assessment Objectives covered by a particular question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it (as instructed below) to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level.

The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as in the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level; eg if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust. If there is a lot of indicative content fully identifiable in the work you need to give the highest mark in the level. If only some is identifiable or it is only partially fulfilled, then give the lower mark.

The exemplar materials used during standardisation will also help. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the lead examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the lead examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

In addition to the generic descriptors (presented in bold text), paper-specific indicative descriptors (presented in plain text) are provided as a guide for examiners. These are not intended to be exhaustive and you must credit other valid points.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in some questions more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

You should write a summative comment at the end for each Assessment Objective and indicate the marks for each Assessment Objective being tested at the end of the answer in the margin in sequence. It is vital that the way you arrive at a mark should be recorded on the script. This will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 40 marks

Question	Part	Marking guidance	Total marks
1	1	<p>Using Table 1, calculate the operating profit margin for TuneTrek in 2023.</p> <p>16 or 16% (3 marks)</p> <p>Operating Profit = Revenue – Cost of Sales – Expenses = $65\,000 - 5500 - 49\,100 = 10\,400$ (1)</p> <p>Operating Profit Margin = Operating Profit / Revenue $\times 100 =$ $10\,400 / 65\,000 \times 100$ (1)</p> <p>If correct formula but misapplication of data (1)</p> <p>If gross profit margin (91.54%) or net profit margin (13.23%) is correctly calculated, award 1 mark</p> <p>OFR (own figure rule applies).</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
1	2	<p>Analyse one barrier to innovation experienced by TuneTrek.</p> <p>Indicative content</p> <p>Barriers to innovation may include:</p> <ul style="list-style-type: none"> • Narrow span of control which could limit the ability of employees to create ideas. This is likely to come with an autocratic management style which might not give employee an opportunity to give opinions or be creative. • Poor record of innovation in the past suggests TuneTrek may struggle in the future (2 updates in the last 12 months compared to 9 by its main competitor). This suggests the culture of the organisation is unlikely to promote innovation. • Low labour turnover could lead to a lack of opportunity to recruit new employees external to the business who could bring in fresh, new ideas to innovate, particularly if they came from a competitor. • Tall hierarchy might mean that new ideas need to be authorised/approved by many layers of managers making the innovation process lengthy and frustrating resulting in employees being less likely to put forward new ideas. <p>Accept any other valid content.</p> <p>Good response 4 marks Analyses one barrier to innovation experienced by TuneTrek.</p> <p>Reasonable response 3–2 marks Analyses one barrier to innovation but is unable to effectively apply this to TuneTrek.</p> <p>Limited response 1 mark Identifies relevant knowledge of innovation or a barrier to innovation with little or no explanation.</p>	<p>4</p> <p>AO1 = 1 AO2 = 1 AO3 = 2</p>

Question	Part	Marking guidance	Total marks
1	3	Analyse two benefits to TuneTrek of conducting the SWOT analysis.	9 AO1 = 2 AO2 = 1 AO3 = 6

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	7 – 9	A good response that focuses on many of the demands of the question <ul style="list-style-type: none"> includes well-focused analysis with logical chains of reasoning includes well-focused application to the given context shows sound knowledge and understanding of business terminology and concepts with few, if any, errors is well-structured.
2	4 – 6	A reasonable response which focuses on some of the demands of the question <ul style="list-style-type: none"> includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places includes reasonable application to the given context focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	A limited response that has little focus on the demands of the question A limited response with some understanding that may: <ul style="list-style-type: none"> include some limited analysis but lacks focus and development include some limited application to the given context include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to show an understanding of SWOT analysis
- linked to the case study and
- analyse two benefits to TuneTrek of conducting a SWOT.

Indicative content

- It can help TuneTrek identify its strengths, for example its brand name. Understanding this can help them to protect this and use it as part of its promotion.
- Identifying and understanding its weaknesses, such as a tall hierarchy. As this may be a barrier to innovation, it could help inform decision making around a change in structure.
- It can give an idea of opportunities and threats. For TuneTrek, this is important as they operate in a dynamic market, so this could give it a head start above its competitors.
- It would help TuneTrek to develop a strategic plan.
- SWOT could help TuneTrek to identify the area of the business most in need of support.
- SWOT would allow TuneTrek to understand its competitive advantages and disadvantages which can be used as tool to aid development in the business.

Accept any other valid content.

Question	Part	Marking guidance	Total marks
1	4	<p>Kristian believes delaying will help to improve the performance of TuneTrek. Do you think delaying Tunetrek is a good idea?</p> <p>Consider the arguments for and against and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p>

3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p>
2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p>
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse advantages and disadvantages of delayering TuneTrek
- to make a justified judgement as to TuneTrek's course of action.

Indicative content

Arguments for:

- Delayering will remove a layer of management. This can allow for more creative thinking amongst staff.
- The span of control will be wider, allowing a more democratic management style and encourage staff to come up with more ideas and communicate them.
- This could reduce the expenses of the business and improve its operating margin. This money could then be spent investing in research and development to improve innovation.
- It could make the business more flexible, allowing it to respond better to the fast paced market.
- Employees will feel more empowered and motivated, allowing for new ideas to be created.

Arguments against:

- This could cause employees to feel that their job may also be at risk. They may be more likely to leave, increasing the labour turnover rate. This could cause negative PR for the business.
- The redundancy process can be expensive. This could initially worsen the operating profit margin and leave less funds for improving the business.
- The issue may not be the narrow span of control, it may be the culture amongst the existing staff. Delayering wouldn't necessarily solve this issue.

Potential judgement:

- The cost of redundancy and if this is something TuneTrek can afford to do.
- The reason for the lack of poor performance of the business. If it is due to the narrow span of control, delayering will work. However, if this issue is the culture amongst the existing staff, this will not help.

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
1	5	<p>Employees at Tunetrek are likely to resist the changes proposed by Kristian. According to Kotter and Schlesinger, one way to overcome resistance to change is education and communication.</p> <p>Assess the arguments for and against the use of education and communication and make a judgement as to whether this is the best way for TuneTrek to overcome the resistance to change.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p>
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p>

2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p>
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse advantages and disadvantages of education and communication as a method of overcoming resistance to change
- to make a justified judgement as to TuneTrek's course of action.

Indicative content

Arguments for:

- Kotter and Schlesinger identified education and communication as the starting point for overcoming resistance to change.
- This approach involves listening to the staff and communicating with them, which staff are likely to engage with.
- It has a low labour turnover, so it is likely that staff will be loyal to the business and prepared to listen to the communication.
- 92% of staff are satisfied working for the company meaning they are more likely to listen to the managers and take on board the changes that need to be made.
- High level of trade union involvement (74%) could help to facilitate the change.

Arguments against:

- This approach can take a long time, particularly with 1000 staff across 12 countries. If the business is seeking to improve innovation, it may need to push changes through quicker than this.
- A more direct approach such as negotiation and bargaining may be more suitable to get the changes made quickly.
- The changes are likely to reduce the number of jobs, so it is unlikely employees will be prepared to get on board with them.
- Communication across the different sites has been identified as a weakness of the company.

Potential judgement:

- What the proposed changes are and the likely impact to staff. If the changes will result in a lot of redundancies, education and communication is unlikely to work.
- Whether the changes need to be implemented quickly or not. If they do, education and communication may not be the best way.

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

Section B

Total for this section: 40 marks

Question	Part	Marking guidance	Total marks
2	1	<p>Activity A is now expected to take 4 weeks instead of 2.</p> <p>Using Figure 2, calculate the new completion time for the project.</p> <p>4 weeks instead of 2 weeks for activity A Node 2 will alter to 4, 4 (1 mark) Node 5 will alter to 7, 7 (1 mark) Node 6 and the finish time will alter to 13 weeks (1 mark) If a candidate makes an error in calculation, eg $4 + 3 + 6 = 14$, award 2 marks If the answer given is 13 days, award 2 marks</p> <p>3 marks for the correct answer 13 or 13 weeks</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
2	2	<p>The average GDP growth in India is forecast to be 8%.</p> <p>Analyse one way the forecast growth in GDP in India could impact the decisions made by the marketing department at Freddie's.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Growth in GDP will represent an increase in average income in the local economy. • The marketing department may increase the price of the product as consumers are likely to have higher disposable income. This is a luxury dog food so therefore more likely to appeal to consumers in a market with rising disposable income. • Increase the amount of advertising as there is a wider potential target market. A large number of people in India own dogs, representing a significant opportunity for Freddie's. • Higher level of investment. The marketing department will be more likely to spend more on a range of marketing activities including upgrade of marketing infrastructure such as a new app. <p>Accept any other valid content.</p> <p>Good response 4 marks Analyses one way the change in GDP in India could impact the decision made by the marketing department.</p> <p>Reasonable response 2–3 marks Analyses one impact of rising GDP to a business but is unlikely to link to the decisions of the marketing department.</p> <p>Limited response 1 mark Identifies relevant knowledge of GDP with little or no explanation.</p>	<p>4</p> <p>AO1 = 1 AO2 = 1 AO3 = 2</p>

Question	Part	Marking guidance	Total marks
2	3	Analyse two benefits to Freddie's of entering India via foreign direct investment (FDI).	9 AO1 = 2 AO2 = 1 AO3 = 6

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	7 – 9	A good response that focuses on many of the demands of the question <ul style="list-style-type: none"> includes well-focused analysis with logical chains of reasoning includes well-focused application to the given context shows sound knowledge and understanding of business terminology and concepts with few, if any, errors is well-structured.
2	4 – 6	A reasonable response which focuses on some of the demands of the question <ul style="list-style-type: none"> includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places includes reasonable application to the given context focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	A limited response that has little focus on the demands of the question A limited response with some understanding that may: <ul style="list-style-type: none"> include some limited analysis but lacks focus and development include some limited application to the given context include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	No credit worthy material.

The demands of the question are:

- show an understanding of FDI
- analyse the benefits of FDI when entering India
- in the context of Freddie's.

Indicative content

- FDI involves opening a factory and/or sales bases in India, giving it a physical base in the country.
- This means the proximity to customers will be very close and it will be quicker and easier for them to deliver the tailor-made food.
- Freddie's may also be closer to suppliers in India. Locating there and being closer to suppliers could help to reduce costs and possibly implement leaner supply chain.
- It will reduce the transport costs, which could be high over such a long distance and the dog food could be heavy.
- Locating in India could give them access to a cheaper work force, reducing costs and helping Freddie's to achieve high margins.
- It could overcome the issue of any tariffs or quotas which may exist in India.

Accept any other valid content.

Question	Part	Marking guidance	Total marks
2	4	<p>The Finance Director believes that Mumbai is the best place to locate in India for Freddie's.</p> <p>Assess the arguments for and against and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6</p>

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Level	Marks	Descriptor
4	10 – 12	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p>
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2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p>
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	0	No credit worthy material.

The demands of the question are:

- show an understanding of economic data
- linked to the case study
- make a judgement as to whether Mumbai is the best location for Freddie's.

Indicative content

Arguments for:

- Mumbai has a lower wage rate growth than Delhi, so paying workers there could be cheaper, lower costs and therefore allowing for lower prices.
- There is a larger proportion of working age population, so a greater number of potential employees to work in the factory.
- Mumbai's lower unemployment rate could indicate higher levels of disposable income, meaning more customers. Locating here (closer to customers) could be advantageous.

Arguments against:

- Delhi has a higher unemployment rate, so potentially a larger number of people who are prepared to work in the factory and possibly at a lower rate.
- Even though the wage rate in Mumbai has grown by less, we don't know where it began. Wages in Delhi could still be lower, which is highly likely due to the higher unemployment rate.

Potential judgement:

- Mumbai may represent a better location as if the actual wage rate is lower than that in Delhi, Freddie's may need to enter India with a lower price, so lower costs may be extremely important.
- Delhi may be the better location due to the fact that it is more economically developed in many respects, so it may be easier for Freddie's to sell here. Depending on the transport costs, this may be a better option for Freddie's.

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
2	5	<p>Market development may be less risky than product development.</p> <p>Assess the arguments for and against market development being less risky for Freddie's and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 AO4 = 6</p>

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Level	Marks	Descriptor
4	10 – 12	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p>
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p>

2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <p>There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.</p>
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding.</p> <ul style="list-style-type: none"> • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse the level of risk involved with market development
- candidates may compare to product development
- to make a justified judgement as to how risky market development is.

Indicative content

Arguments for:

- Ansoff identified that market development may be less risky because the business understands the product already.
- With a product such as dog food it may require little adaptation to a new market, meaning it is easy to bring to the new market with little research.
- Market research can be conducted via secondary research, which is inexpensive and quick to conduct.
- Freddie's could benefit from a higher level of economies of scale by entering a new market with such a large scale.

Arguments against:

- The Indian market is very different to the UK market. Primary research may be required to better understand the needs of the market.
- There are a lot of implications for selling to a new market – particularly one as far away as India. FDI, exporting, or any other method will come with a large number of costs.
- Product development involves creating a cat food, which is probably quite similar. A lot of the same processes and ingredients can be used.

Potential judgement:

- How similar or different the Indian market is in terms of dog food.
- If the cat food market is already saturated – if so, entering it could be risky as it would require a lot of investment in the form of advertisement to obtain market share.
- How different cat food is and how much would need to be invested into the new food.
- It depends how the business measures risk and its attitude towards risk, which may depend on the history of the business and previous ventures it has taken.

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1.1	1	2			3
1.2	1	1	2		4
1.3	2	1	6		9
1.4	2	2	2	6	12
1.5	2	2	2	6	12
2.1	1	2			3
2.2	1	1	2		4
2.3	2	1	6		9
2.4	2	2	2	6	12
2.5	2	2	2	6	12
Unit Total	16	16	24	24	80