



# Cambridge International AS & A Level

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**BUSINESS**

**9609/02**

Paper 2 Business Concepts 2

**For examination from 2023**

MARK SCHEME

Maximum Mark: 60

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**Specimen**

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This document has **24** pages. Any blank pages are indicated.

**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.

**Guidance on using levels-based mark schemes**

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The marker should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range (where middle marks are available).
- If the candidate's work **just** meets the level statement, award the lowest mark.

**Subject 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 ...).

**SPECIMEN**

- 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, e.g. a scattergun approach to a question asking for  $n$  items
- 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.

**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.

**Assessment objectives****AO1 Knowledge and understanding**

Demonstrate knowledge and understanding of business concepts, terms and theories.

**AO2 Application**

Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

**AO3 Analysis**

Analyse business problems, issues and situations by:

- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

**AO4 Evaluation**

Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

**Table A**

Use this table to give marks for each candidate response for Questions 1(a)(ii), 1(b)(ii), 2(a)(ii) and 2(b)(ii).

AO1 Knowledge and understanding 1 mark	AO2 Application 2 marks
Description	Description
	<b>2 marks</b> Developed application of <b>one</b> relevant point to a business context.
<b>1 mark</b> Knowledge of <b>one</b> relevant point is used to answer the question.	<b>1 mark</b> Limited application of <b>one</b> relevant point to a business context.
<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.

Table B

Use this table to give marks for each candidate response for Questions 1(c) and 2(c).

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 4 marks
	Description	Description	Description
2			<b>3–4 marks</b> <b>Developed analysis</b> <ul style="list-style-type: none"> <li>Developed analysis that identifies connections between causes, impacts and/or consequences of <b>two</b> points. [4 marks]</li> <li>Developed analysis that identifies connections between causes, impacts and/or consequences of <b>one</b> point. [3 marks]</li> </ul>
1	<b>1–2 marks</b> <ul style="list-style-type: none"> <li>Knowledge of <b>two</b> relevant points is used to answer the question. [2 marks]</li> <li>Knowledge of <b>one</b> relevant point is used to answer the question. [1 mark]</li> </ul>	<b>1–2 marks</b> <ul style="list-style-type: none"> <li>Application of <b>two</b> relevant points to the business context. [2 marks]</li> <li>Application of <b>one</b> relevant point to the business context. [1 mark]</li> </ul>	<b>1–2 marks</b> <b>Limited analysis</b> <ul style="list-style-type: none"> <li>Limited analysis that identifies connections between causes, impacts and/or consequences of <b>two</b> points. [2 marks]</li> <li>Limited analysis that identifies connections between causes, impacts and/or consequences of <b>one</b> point. [1 mark]</li> </ul>
0	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.

Table C

Use this table to give marks for each candidate response for Questions 1(d) and 2(d).

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
	Description	Description	Description	Description
3				<b>5–6 marks</b> <b>Developed evaluation in context</b> <ul style="list-style-type: none"> <li>• A developed judgement/conclusion is made in the business context.</li> <li>• Developed evaluative comments which weigh up some key arguments in the business context.</li> </ul>
2	<b>2 marks</b> <b>Developed knowledge</b> of relevant key term(s) and/or factor(s) is used to answer the question.	<b>2 marks</b> <b>Developed application</b> of relevant point(s) to the business context.	<b>2 marks</b> <b>Developed analysis</b> that identifies connections between causes, impacts and/or consequences.	<b>3–4 marks</b> <b>Developed evaluation</b> <ul style="list-style-type: none"> <li>• A developed judgement/conclusion is made.</li> <li>• Developed evaluative comments which weigh up some key arguments.</li> </ul>
1	<b>1 mark</b> <b>Limited knowledge</b> of relevant key term(s) and/or factor(s) is used to answer the question.	<b>1 mark</b> <b>Limited application</b> of relevant point(s) to the business context.	<b>1 mark</b> <b>Limited analysis</b> that identifies connections between causes, impacts and/or consequences.	<b>1–2 marks</b> <b>Limited evaluation</b> <ul style="list-style-type: none"> <li>• A judgement/conclusion is made with limited supporting comment/evidence.</li> <li>• An attempt is made to weigh up the arguments.</li> </ul>
0	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.



Question	Answer	Marks
1(a)(i)	<p><b>Identify <u>one</u> benefit for a business of a unique selling point (USP).</b></p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p>Any benefit of a USP, for example:</p> <ul style="list-style-type: none"> <li>• Differentiates it from competitors.</li> <li>• Can be used in marketing.</li> <li>• Can be any element of the marketing mix.</li> <li>• Brand image.</li> </ul> <p>Accept all valid responses.</p>	1

Question	Answer	Marks
1 (a)(ii)	<p><b>Explain the term ‘sole trader’ (line 4).</b></p> <p>Follow the point-based marking guidance at the top of this mark scheme and use Table A to give marks for each candidate response. AO1 out of 1 mark. AO2 out of 2 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• A business owned and controlled by one person.</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• A sole trader has unlimited liability – which means their personal possessions are at risk.</li> <li>• The owner has full control of the business – because there are no other owners.</li> <li>• Able to keep all the profits – because there are no other owners.</li> <li>• Does not have to publish accounts – because this is not a legal requirement.</li> <li>• No continuity – as the business ceases with the owner’s death.</li> </ul> <p>Accept all valid responses.</p> <p>AO1</p> <p>AO2</p>	3
		1
		2

Question	Answer	Marks
1(b)(i)	<p><b>Refer to Fig. 1.1. Calculate the value in dollars (\$) of BH's share of the market.</b></p> <p>Formula: market share <math>\times</math> total market value (1 mark)</p> <p>Other = 85% of the market</p> <p>100% – 85% = 15% market share of BH (2 marks)</p> <p>15% of \$600 000 = \$90 000 (3 marks)</p> <p>Own figure rule applies.</p>	<b>3</b>

Question	Answer	Marks
1 (b)(ii)	<p><b>Explain <u>one</u> reason why Amir carried out market research.</b></p> <p>Follow the point-based marking guidance at the top of this mark scheme and use Table A to give marks for each candidate response. AO1 out of 1 mark. AO2 out of 2 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• Market research is where a business finds out about its customers or market.</li> <li>• Any reason for market research, for example to understand customers, reduce risk, understand competitors and establish trends.</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• Allows Amir to understand what his customers want (or potential customers) – and then adapt his business to these requirements.</li> <li>• Amir could analyse the market – before starting to offer different foods if customers want these.</li> <li>• Amir can minimise the risk of launching Asian food – by assessing future demand.</li> <li>• Allows Amir to know his main competitors – for example use this to develop a USP, lower prices, better delivery.</li> <li>• Helps Amir to identify trends in the market and then develop his marketing – for example to anticipate a trend for Asian food.</li> </ul> <p>Accept all valid responses.</p>	3
	AO1	1
	AO2	2

Question	Answer	Marks
1(c)	<p><b>Analyse <u>one</u> advantage and <u>one</u> disadvantage, to Amir, of BH becoming a private limited company.</b></p> <p>Use Table B to mark candidate responses to this question. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 4 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• Limited liability.</li> <li>• Legal personality.</li> <li>• Continuity.</li> <li>• Selling shares.</li> </ul> <p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>• Legal formalities.</li> <li>• Accounts must be made available for public inspection.</li> <li>• Loss of personal relationship with employees.</li> <li>• Possible loss of control.</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• Amir mortgaged his home to finance the start-up.</li> <li>• Amir's son works within the business as a chef.</li> <li>• Eight competitors.</li> <li>• Sole trader.</li> <li>• Considering to start selling Asian food.</li> </ul> <p><b>AO3 Analysis</b></p> <p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• Amir would gain limited liability, which would mean that his potential loss from the business would be limited to the amount that he has invested, not his personal possessions and wealth (e.g. his house).</li> <li>• BH would gain its own legal personality, which would mean that if BH was taken to court (e.g. for selling poor/contaminated products) then the business would be sued not Amir.</li> </ul>	8

Question	Answer	Marks
1(c)	<ul style="list-style-type: none"> <li>• BH would gain continuity, which would mean that Amir’s son could inherit the business on Amir’s death.</li> <li>• BH could potentially take on more investors by selling shares which would increase the sources of finance open to BH and could fund the potential expansion into Asian food. Amir might increase the profit he makes from the business.</li> </ul> <p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>• There will be some legal formalities and paperwork involved in becoming a private limited company which will be an additional cost to the business that Amir must fund.</li> <li>• End of year accounts must be made available for public inspection, which could lead to competitors gaining information about BH which Amir would not want to be known. This is especially important in such a competitive market.</li> <li>• Employees may feel that the business is becoming larger and may worry that they could lose their personal relationship with Amir.</li> <li>• If Amir takes on further investors as shareholders of the business, then this may lead to a loss of control and less profit for himself.</li> </ul> <p>Accept all valid responses.</p>	
AO1		2
AO2		2
AO3		4

Question	Answer	Marks
1(d)	<p><b>Evaluate whether BH should sell Asian food.</b></p> <p>Use Table C to mark candidate responses to this question.            AO1 out of 2 marks.            AO2 out of 2 marks.            AO3 out of 2 marks.            AO4 out of 6 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b>            The decision to sell a new product is affected by:</p> <ul style="list-style-type: none"> <li>• Market research, interpretation of results.</li> <li>• Marketing mix – 4Ps (product, price, place, promotion).</li> <li>• Market penetration, gaining an increased market share.</li> <li>• Profitability, level of sales needed to make a profit.</li> <li>• Business objectives, profit maximisation, sales growth.</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• BH has a delivery service – Wok’s and Chao’s do not.</li> <li>• Amir’s objective – to increase market share.</li> <li>• The employee experience – none of BH’s employees have experience in cooking or selling Asian food.</li> <li>• Amir believes that it would be profitable – to sell Asian food in this market.</li> <li>• 40% of the market is with market leaders – \$240 000 offering Asian food.</li> <li>• BH has 15% share of the market – \$90 000 (OFR from <b>Q1(b)(i)</b>).</li> <li>• Relationship with current products – burgers, kebabs, pizza and side orders.</li> <li>• Amir is sole trader – but thinking of converting business to a private limited company.</li> <li>• Competitive market – eight in total, six offer Asian food so many similar businesses.</li> <li>• Busy high street location – large number of potential customers.</li> </ul> <p><b>AO3 Analysis</b></p> <ul style="list-style-type: none"> <li>• Would allow BH to take customers away from Wok’s and Chao’s and increase market share.</li> <li>• Could give BH a USP over these businesses and increase their market share.</li> </ul>	12

Question	Answer	Marks
1(d)	<ul style="list-style-type: none"> <li>• BH could gain a competitive advantage over its current rivals. They could cater for families who want more than one type of food in an order, again giving them a competitive advantage.</li> <li>• May not be able to offer a quality service which could damage their reputation.</li> <li>• BH may need to provide training and/or hire new workers to offer Asian food which would increase the costs of the business.</li> <li>• Wok's and Chao's may decide to do the same and start selling burgers, kebabs, pizzas and side orders and therefore make the market even more competitive and possibly reduce BH's market share.</li> <li>• There are likely to be increased marketing costs involved in launching this new service; new menus, advertising, etc. which could reduce profit.</li> </ul> <p><b>AO4 Evaluation</b></p> <ul style="list-style-type: none"> <li>• The feasibility and affordability of offering a new product.</li> <li>• The likely reactions of competitors.</li> <li>• The results of any market research undertaken by Amir.</li> <li>• Weighing up of objectives and risks.</li> <li>• The potential consequences of not selling a new product.</li> <li>• The relative costs and benefits of offering Asian food.</li> <li>• A judgement whether or not BH should sell Asian food.</li> <li>• A conclusion to make an attempt to offer some Asian food (or not).</li> <li>• A judgement to do something other than offering Asian food.</li> <li>• An attempt to advise BH/Amir on future decisions about offering Asian food.</li> </ul> <p>Accept all valid responses.</p>	
AO1		2
AO2		2
AO3		2
AO4		6



Question	Answer	Marks
2(a)(i)	<p><b>Identify <u>one</u> indirect cost.</b></p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p>Any cost not related to the production process, for example:</p> <ul style="list-style-type: none"><li>• Rent.</li><li>• Advertising.</li><li>• Marketing.</li></ul> <p>Accept all valid responses.</p>	1

Question	Answer	Marks
2(a)(ii)	<p><b>Explain the term ‘business plan’ (line 22).</b></p> <p>Follow the point-based marking guidance at the top of this mark scheme and use Table A to give marks for each candidate response. AO1 out of 1 mark. AO2 out of 2 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• A document that sets out the objectives and strategies of a business.</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• It includes information specific to the business – for example about markets, financial forecasts, personnel.</li> <li>• Can be used for loan applications – so that a financial provider can make an informed decision whether to lend.</li> <li>• Can use to measure the success of a business – to measure actual performance against planned performance.</li> <li>• Often written by entrepreneurs – before starting up a business to encourage investors to support the business.</li> </ul> <p>Accept all valid responses.</p> <p>AO1</p> <p>AO2</p>	3
		1
		2

Question	Answer	Marks
2(b)(i)	<p><b>Refer to Table 2.1 and other information. Calculate the price of the dress for Lydia.</b></p> <p>Formula: total cost per unit + mark-up (1 mark)  OR Average cost + mark-up (1 mark)</p> <p><math>20 \times 10 = \\$200</math>  <math>\\$250 + \\$25 = \\$300</math>  <math>\\$300 + \\$200 = \\$500</math> (2 marks)</p> <p><math>\\$500 \times 1.5 = \\$750</math> (3 marks)</p> <p>Own figure rule applies.</p>	<b>3</b>

Question	Answer	Marks
2(b)(ii)	<p><b>Explain <u>one</u> payment method, other than time based, that DC could use to pay its employees.</b></p> <p>Follow the point-based marking guidance at the top of this mark scheme and use Table A to give marks for each candidate response. AO1 out of 1 mark. AO2 out of 2 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge</b></p> <ul style="list-style-type: none"> <li>• Knowledge of payment methods, for example piece rate, salary, commission, bonuses, performance-related pay, profit sharing, fringe benefits.</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• Employees could be paid per pair of trousers – with the new batch production method.</li> <li>• Dress designers are given an annual salary – which is paid monthly.</li> <li>• Commission for designers per dress – % of the value, for example of the \$750.</li> <li>• Bonuses linked to DC sales – more sales of designer clothing will lead to bonuses being paid.</li> <li>• Similar approach for performance-related pay, profit sharing and fringe benefits.</li> </ul> <p>Do not reward any time-based methods.</p> <p>Accept all valid responses.</p>	3
2(c)	AO1	1
	AO2	2
	<p><b>Analyse <u>two</u> human resource problems that DC might experience from the introduction of a new batch production method.</b></p> <p>Use Table B to mark candidate responses to this question. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 4 marks.</p>	8

Question	Answer	Marks
2(c)	<p>For maximum marks, candidates need to look at two human resource problems in relation to the new batch production method.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• Lower morale/job satisfaction.</li> <li>• Deskilling.</li> <li>• Training needs.</li> <li>• Fear of change.</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• It currently uses job production.</li> <li>• Employees meet with customers.</li> <li>• Employees are highly skilled.</li> <li>• Employees are paid hourly rates.</li> </ul> <p><b>AO3 Analysis</b></p> <ul style="list-style-type: none"> <li>• Lower morale/job satisfaction – workers are used to working on unique clothing and will have immense pride in their work. This may fall if working on a batch production line.</li> <li>• Deskilling – if machinery is being used, this may replace the skills of the employees used to make unique clothing.</li> <li>• Training needs – the new machinery will involve training. This needs to be financed. Can the business afford it?</li> <li>• Fear of change – the communication of this business decision will be important – employees are likely to be fearful of the new machinery/batch production. Khaleal needs to have a clear communication and employee participation strategy.</li> </ul> <p>Accept all valid responses.</p>	
	AO1	2
	AO2	2
	AO3	4

Question	Answer	Marks
2(d)	<p><b>Evaluate suitable pricing methods that DC could use for the new range of trousers.</b></p> <p>Use Table C to mark candidate responses to this question.            AO1 out of 2 marks.            AO2 out of 2 marks.            AO3 out of 2 marks.            AO4 out of 6 marks.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• Competitive, a similar price based on that of competitors, could be higher or lower.</li> <li>• Penetration, a low price to gain market share quickly.</li> <li>• Skimming, a high price to gain high profits.</li> <li>• Price discrimination, different prices for different groups of customers.</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• Quality trousers, aimed at the high end of the market.</li> <li>• Aimed at women aged 25–50, price needs to be suitable for this target market.</li> <li>• Sold to large shops, price needs to include their profit as well.</li> <li>• Branded with DC logo, price needs to reflect image.</li> <li>• Feedback from focus group, price needs to reflect research.</li> <li>• Batch produced, cost might be lower which could be reflected in the price.</li> </ul> <p><b>AO3 Analysis</b></p> <ul style="list-style-type: none"> <li>• Competitive – the trousers are being sold to large shops. They are likely to have other competitors and so they will need to be competitive to persuade the large shop to stock the trousers.</li> <li>• Penetration – DC are moving into a new market. They may look to offer high discounts on initial orders, build their relationship with the large shops, and then increase prices.</li> <li>• Skimming – unlikely to be effective as these are batch-produced products – they may have a reputation for quality but batch production will mean the uniqueness of each piece of clothing will be lost so unlikely to be able to charge higher prices especially to a large shop.</li> </ul>	12

Question	Answer	Marks
2(d)	<ul style="list-style-type: none"> <li>• Price discrimination – unlikely to be effective as difficult for DC to separate the market for trousers particularly by geography. They are selling direct to the large shops who will then decide which shops to sell them in. DC does not have control of this. They are also trying to break into a new market so unlikely this will work.</li> </ul> <p><b>AO4 Evaluation</b></p> <ul style="list-style-type: none"> <li>• The feasibility of methods for DC for example may depend on its cash flow or business objectives.</li> <li>• The affordability of the methods for DC, for example price discrimination, might involve additional costs.</li> <li>• The reactions of competitors for example to a penetration price.</li> <li>• The results of the market research, for example if the trousers are perceived as being high quality skimming prices will be appropriate.</li> <li>• A judgement/recommendation over the most/least suitable method(s).</li> <li>• A conclusion to use more than one method (short term/long term for example).</li> <li>• A ranking of suitable methods.</li> </ul> <p>Accept all valid responses.</p>	
AO1		2
AO2		2
AO3		2
AO4		6

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