GCE

New Business

H431/02: The UK business environment

A Level

Mark Scheme for June 2025

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, Cambridge Nationals, Cambridge Technicals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

MARKING INSTRUCTIONS

PREPARATION FOR MARKING
RM ASSESSOR

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Online Training: OCR Essential Guide to Marking*.

2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are available in RM Assessor

3. Log-in to RM Assessor and mark the **required number** of practice responses ("scripts") and the **required number** of standardisation responses.

MARKING

1. Mark strictly to the mark scheme.

2. Marks awarded must relate directly to the marking criteria.

3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% (traditional 40% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.

4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone, email or via the RM Assessor messaging system.

5. **Crossed-Out Responses**
   Where a candidate has crossed out a response and provided a clear alternative then the crossed-out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed-out response where legible.

   Rubric Error Responses – Optional Questions
   Where candidates have a choice of question across a whole paper or a whole section and have provided more answers than required, then all responses are marked and the highest mark allowable within the rubric is given. Enter a mark for each question answered into RM Assessor, which will select the highest mark from those awarded. *(The underlying assumption is that the candidate has penalised themselves by attempting more questions than necessary in the time allowed.)*

Multiple-Choice Question Responses
When a multiple-choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).
When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.

Contradictory Responses
When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only one mark per response)
Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth two or more marks)
If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space).

Longer Answer Questions (requiring a developed response)
Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there, then add the annotation 'SEEN' to confirm that the work has been seen and mark any responses using the annotations in section 11.

7. There is a NR (**No Response**) option. Award NR (No Response):

   - if there is nothing written at all in the answer space

   - OR if there is a comment which does not in any way relate to the question (e.g., 'can't do', 'don't know')

- OR if there is a mark (e.g., a dash, a question mark) which is not an attempt at the question.

Note: Award 0 marks – for an attempt that earns no credit (including copying out the question).

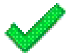
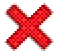
8. The RM Assessor **comments box** is used by your Team Leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**

9. *Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.*

10. For answers marked by levels of response: Not applicable in F501
To determine the level – start at the highest level and work down until you reach the level that matches the answer
To determine the mark within the level, consider the following

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

11. **Annotations**

Annotation	Meaning	Annotation	Meaning
BP	Blank page (this MUST be used rather than SEEN)	K	Knowledge
	Tick	APP	Application of knowledge and understanding
	Cross	AN	Analysis
	Highlighting tool	DEV	Developed Analysis
NAQ	Not answered question (candidate writes irrelevant material)	EVAL	Evaluation
OFR	Own Figure Rule	EE	Effective evaluation
BOD	Benefit of Doubt (replaces tick in short answer questions)		Unclear
REP	Repeat (material already rewarded)	TV	Too vague/No use of context
SEEN	Noted but no credit given (use where no other annotation is appropriate)		

EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read if the paper is printed out in black & white.

[Questions 1-7, & 10 should be annotated with ticks, crosses, BOD, REP, TV, OFR, NAQ or ?. The number of ticks plus OFR MUST match the final mark awarded for that question. Ticks MUST NOT be used in Questions 8, 9 & 11-14.]

IT IS VITAL THAT YOU SHOW AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE. IN PARTICULAR, WHERE AOs ARE REACHED, SO THAT YOUR TEAM LEADER CAN LOOK TO AGREE WITH YOUR FINAL MARK.

12. **Subject Specific Marking Instructions**

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/ Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these marks.

The descriptions in each level of response question in this mark scheme describe a typical response at the top of that level.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Practice scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the practice scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

Question	Answer	Mark	Guidance
1	**Define the term ‘business plan’.** 2 marks for a clear definition. 1 mark for an answer which has a basic idea of the term. No reward for answers about ‘business planning’ or ‘it helps a business to plan’.	**2** (AO1 2)	**Exemplar responses** A formal written document (1) explaining how a business is going to achieve its objectives (1). A document setting out a business' future objectives (1) and strategies for achieving them (1). An overview about the business’ future (1). **ARA**
2	**State two types of communication media a business may use.** 1 mark for each method of communication media, up to a maximum of 2 marks.	**2** (AO1 2)	Indicative content: • Written • Face-to face • Oral • Social (media) • Electronic – MS Teams, text message, e-mail, etc. • Mass **NB:** This is a finite list but accept more than one example of each method.
3	**If the exchange rate is £1 = €1.22, calculate the price paid in Euros by a Greek importer. Show your working.** 2 marks for correct answer (with or without working) 1 mark for an answer which shows evidence of correct formula or workings	**2** (AO1 1) (AO2 1)	Import price = £165 x €1.22 (1) = **<u>€201.30</u>** (1) Maximum one mark for an incomplete answer (e.g., €201)

Question	Answer	Mark	Guidance
4	**Explain two reasons why the dismissal of an employee would be considered unfair.** 1 mark for each correct answer, plus a further 1 mark for each of two developmental points. Do not accept redundancy avoidance. Do not accept hypothetical general scenarios.	**4** (AO1 2) (AO2 2)	Reasons include: • Paternity/Maternity rights (1) – such as needing to take time off before, during, or after a pregnancy (1). • Trade union membership (1) – a worker cannot be dismissed for joining / refusing to join (1) a trade union. • Discrimination (1) – this may be racial / gender / disability / age (1). *(only one use of discrimination as a reason allowed)* • Whistle blowing (1) – when an employee exposes alleged wrongdoings by the business (1). • Business not following its own procedures (1) – such as failing to follow its own disciplinary rules (1). • Jury Service (1) – an employee must be allowed to fulfil their jury service if called (1).
5	**Explain one reason why a business may choose to operate in each of the following markets:** **Physical** 1 mark for a reason for operating in a physical market, plus a further 1 mark for developmental of this reason. **Non-physical** 1 mark for a reason for operating in a non-physical market, plus a further 1 mark for developmental of this reason. **NB:** In each case, the reason may be from the business **or** customer perspective.	**4** (AO1 2) (AO2 2)	Physical market reasons include: • Customer interaction (1) – able to better understand what the customer wants (1). • Sense of community (1) – shared experiences may improve the customer experience (1). • May appear more secure (1) – some customers may not wish to shop/pay online (1). • A more personal experience (1) – may lead to more impulse sales (1). • Enhanced customer service (1) – Customers can engage more directly with the business (1). Non-physical market reasons include: • Cost (1) – no need for a physical store (1). • Lower price (1) – due to lower costs of selling the product (1).

Question	Answer	Mark	Guidance
			• Opening hours (1) – customers can shop 24/7 (1). • Sales Tracking (1) – easier for the business to monitor what is sold and when (1). • Greater Convenience (1) – Easier for customers to access at any time or place (1). **ARA**
6	**State two characteristics of a public limited company.** 1 mark for each characteristic, up to a maximum of 2 marks. **NB:** Ensure the two characteristics are clearly different.	**2** (AO1 2)	Characteristics may include: • Limited liability (1) • Shares can be traded publicly (on share market) (1) • Able to be taken over (1) • Minimum share capital of £50,000 (1) • Company report must be published to all shareholders (1) • Each shareholder can vote based on their share ownership (1) **ARA**
7	**Using both these options, calculate the difference between the recorded value for each option at the end of Year one. Show your working.** 4 marks for correct answer (with or without working) 2 marks for correct answer to option 1 1 mark for correct answer to option 2	**4** (AO1 2) (AO2 2)	<u>Option 1</u> Initial cost ÷ Life of asset (1) = £35,000 ÷ 5 = £7000 (1) [Value after 1 year = £28,000] <u>Option 2</u> 25% of £35,000 = £8750 (1) [Value after 1 year = £26,250] Difference = **<u>£1750</u>** (1) **[OFR]**

Question	Answer	Mark	Guidance
			NB: Ignore any +/- sign

Question	Answer	Mark	Guidance
8	**Analyse one likely benefit of innovation for Coffee#1.** **Level 2 (3–4 marks)** Candidate shows **reasonable** knowledge and understanding and shows **good** analysis of one benefit of innovation for Coffee#1. **Level 1 (1–2 marks)** Candidate shows **limited** knowledge and understanding of one benefit of innovation for Coffee#1. (NB – award **one** mark for a non–contextualised answer) **0 marks** no response or no response worthy of credit	**4** (AO1 1) (AO2 1) (AO3 2)	Innovation can be product or process and may include: • The introduction of a new product • The launch of an improved product • The way in which the service is provided which may be about the process of selling the product. Benefits of innovation may include: • Lower costs of production • Improved sales • Ability to raise prices • Improved competitiveness (a better/unique offering). Contextual evidence which may be used includes: • Any reference to data in Table 1 • Rising costs, increased competition, high interest rates • Recent changes to sales channels – drive-thru, delivery, self-serve • The increased level of price consciousness • The recent launch of three plant-based milk replacements. Analysis can come from the impact of this innovation on Coffee#1. **Exemplar response:** The launch of an improved product **(K)** such as the new plant-based milk replacements **(APP)** may mean that Coffee#1 can attract more customers who choose this option **(AN).** This may help the business to compete against smaller competitors who may not offer so many choices **(AN)**.

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td></td><td></td><td></td><td>ARA</td></tr>
<tr><td>9</td><td>Evaluate whether ratio analysis is useful in assessing the performance of Coffee#1.

Level 3 (7–9 marks)
Candidate shows strong knowledge and understanding, analysis and evaluation of whether ratio analysis is useful to Coffee#1 when assessing performance.

Level 2 (4–6 marks)
Candidate shows good knowledge and understanding, analysis and evaluation of using ratio analysis to assess the performance of Coffee#1.

Level 1 (1–3 marks)
Candidate shows limited knowledge and understanding of ratio analysis with limited or no analysis and evaluation of its use by Coffee#1.

(NB – award maximum of two marks for a non–contextualised answer).

0 marks no response or no response worthy of credit.</td><td>9
(AO1 2)
(AO2 2)
(AO3 2)
(AO4 3)</td><td>Ratio analysis may use liquidity, profitability, efficiency, shareholder, and gearing ratios. They enable a business to:
• Measure performance over time
• Make comparisons over time and between businesses
• Quantify performance relative to the economic situation.

Specific ratios (with reference to those available in the resource booklet) can assess:
• Whether a business can cover its short-term liabilities
• Consider how profitable a business is in relation to its sales or capital invested
• How efficient a business is at moving stock or collecting money owed.

Relevant context about Coffee#1 includes:
• The increased current ratio suggests that liquidity has improved to a reasonable level.
• Both GPM and NPM have increased significantly which shows greater profitability which may be available for investment in the future
• ROCE has more than doubled showing that capital is working more efficiently
• Debtor collection has improved to only 5 days and stock turnover has improved slightly
• Directors are confident about the company’s future
• Significant concerns about rising costs and interest rates
• The UK market has grown significantly since the 2022 accounts</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td></td><td></td><td></td><td>Firms are seeing to keep operational costs low; price consciousness is a consumer trend.
Analysis should come from a real tangible benefit of ratio analysis to Coffee#1 in a branded coffee market which is experiencing real growth.

Evaluation may come from recognising that we only have two years' data, and 2021 may have been affected by COVID, so that any improvement in 2022 gives a false picture. Also, we have no information about competitors who may have performed even better. Given the changes since 2022 (growing market, shifting consumption patterns, price consciousness) any data from 2021 & 2022 may be less useful when assessing performance. Evaluation may also come about by considering the most important benefit from using ratio analysis.

ARA</td></tr>
<tr><td>10(a)</td><td>Calculate the closing balance for November. Show your working.

<table><tr><th>October
£</th><th>November
£</th></tr><tr><td>58 000</td><td>78 000</td></tr><tr><td>39 000</td><td>25 000</td></tr><tr><td>21 000</td><td>18 000</td></tr><tr><td>7 000</td><td>9 000</td></tr><tr><td>2 000</td><td>2 000</td></tr><tr><td>(11 000)</td><td>24 000</td></tr><tr><td>(2 000)</td><td>(13 000)</td></tr><tr><td>(13 000)</td><td>11 000</td></tr></table></td><td>3
(AO1 1)
(AO2 2)</td><td>Net cash flow (November) = £24,000 (1)

Opening balance (November) = -£13,000 (1)

Closing balance (November) = -£13,000 + £24,000 = <u>£11,000</u> (1)

OFR for the final mark if a mistake is clearly made for the net cash flow figure.

Accept answers which are written into the cash flow forecast given in the question.</td></tr>
</table>

Question	Answer	Mark	Guidance
	3 marks for correct answer of £11,000 (with or without workings)		
10(b)	**State the minimum level of bank overdraft that SJW Ltd will need to arrange for this 6-month period.** 1 mark for correct answer **(OFR)**	**1** (AO1 1)	= **£13,000 (1)** OFR If an error has been made in the previous question which makes the final closing balance lower than -£13,000, this MUST be taken as the 'correct' answer.
11*	**Recommend how Coffee#1 could use flexible working practices. Justify your recommendation.** **Level 3 (11–15 marks)** Candidate shows **strong** knowledge and understanding, analysis and evaluation of how Coffee#1 may use flexible working practices. *There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.* **Level 2 (6–10 marks)** Candidate shows **good** knowledge and understanding, analysis and evaluation of how Coffee#1 may use flexible working practices.	**15** (AO1 2) (AO2 2) (AO3 4) (AO4 7)	Relevant flexible working practices include: • Flexi-time – may include a 'core time' but otherwise employees can choose hours that suit their personal circumstances to satisfy the hours in their contract. • Term-time working – employees will work normal hours during school term time but will work no/fewer hours during school holidays. • Structured time off in lieu – can be useful where there are peaks and troughs (as in seasonal fluctuations or busy parts of the week). Employees are asked to work longer hours during busy times so they can have more time off when it is quieter. • Job sharing – for example, one employee works mornings and the other works afternoons, or the days of the week are split between two or more employees. • Zero hours contracts – employers have no guarantee of work. They only work as needed, often at short notice. • Compressed/annualised hours – hours are squeezed into a fixed number of days. The hours worked will be fixed

Question	Answer	Mark	Guidance
	There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence. **Level 1 (1–5 marks)** Candidate shows **limited** knowledge and understanding of flexible working practices with **limited or no** analysis and evaluation of how they may be used by Coffee#1. *The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.* **NB** – award **maximum** of **two** marks for a non–contextualised answer. **0 marks** no response or no response worthy of credit.		over a longer period of time which allows the employer flexibility when demand is variable. Accept Temporary Working – Where an employee can agree to change their hours, work from home etc, on a short term basis. Accept Remote Working - Working from anywhere other than the employee's usual workplace which includes include working from home. Relevant context about Coffee#1 includes: • Staffing shortages is a key challenge for service sector businesses. • It already offers a range of perks for all employees, including flexible shift patterns and working days. • UK customers expect a high level of Customer Service. • Most stores need to be staffed for 10½ hours, 7 days a week, with different hours on Sundays. • Coffee#1 appears to recognise the needs of different employees, for example, by being part of the Disability Confident scheme. • As a service-based business, Coffee#1 needs enough employees in each store dependent on the time of day. • The UK coffee store industry is expected to see growth over the next 3 years. • Coffee#1 has restarted its expansion programme. • Changes to working patterns in the future. Good analysis will look at the tangible impacts of flexible working practices on Coffee#1.

Question	Answer	Mark	Guidance
			Better answers are likely to recognise that some flexible practices will be more appropriate for a coffee shop than others. Given the number of hours/days to cover and the variability and unpredictability in demand, flexi-time or zero hours contracts may be most appropriate. However, does this reflect Coffee#1's apparent concern for employees, and/or what is used by competitors. **ARA**

Question	Answer	Mark	Guidance
12	**Evaluate two ways that poor customer service may affect Coffee#1's stakeholders.** **Level 3 (7–9 marks)** Candidate shows **strong** knowledge and understanding, analysis and evaluation of how poor customer service may affect Coffee#1's stakeholders. **Level 2 (4–6 marks)** Candidate shows **good** knowledge and understanding, analysis and evaluation of how	**9** (AO1 2) (AO2 2) (AO3 2) (AO4 3)	Poor customer service may have the following effects: • Unhappy customers may complain more about the product or service provided which may affect the staff's job satisfaction. • May make it more difficult to attract staff who are aware of any problems which may exist in customer service. • More returned products or refunds which will affect the revenue and profits of the owners. • A poor public image may lead to bad publicity in the press or social media which may lead to a fall in customer sales affecting growth of the business and profits for the owners.

Question	Answer	Mark	Guidance
	poor customer service may affect Coffee#1's stakeholders. **Level 1 (1–3 marks)** Candidate shows **limited** knowledge and understanding of poor customer service with **limited or no** analysis and evaluation of how it may affect Coffee#1's stakeholders. (**NB** – award **maximum** of **two** marks for a non–contextualised answer). **0 marks** no response or no response worthy of credit.		• In extreme cases, poor customer service may lead to products being made or sold in a dangerous manner (especially for food/drink products.) This may lead to bad publicity and legal costs. NB: Ensure the answer must be the impact on the named stakeholder in order to access the knowledge mark. Relevant context about Coffee#1 includes: • Coffee#1 has four core values which include service as one of them. • Coffee#1 is only a small business compared to the four leading brands. • Owned by Caffé Nero who may be affected indirectly. • The market is facing many economic challenges which is causing a greater degree of price consciousness. • Coffee#1 is facing staffing shortages. • A high level of customer service is expected by UK consumers. • Coffee#1 sells a wide range of food and beverages, including many combinations of milk replacements and flavours which customers expect (or need) the server to get right. • Most food/drink products have allergen advice which servers need to get correct (c.f. recent cases of firms facing legal challenges from customers who have allegedly been affected by incorrect allergen advice.) • Coffee#1 is looking to expand. Good analysis will look at the further tangible impact of poor customer service on that specific stakeholder.

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td></td><td></td><td></td><td>Evaluation may come from recognising the significance of the impact faced by different stakeholders. For example, the impact on a customer of incorrect allergen advice against one getting a mint-flavoured latte instead of a cinnamon-flavoured one.

ARA</td></tr>
<tr><td>13</td><td>Analyse how one barrier to entry may affect Coffee#1's growth plans (Extract D).

Level 2 (3–4 marks)
Candidate shows reasonable knowledge and understanding and shows good analysis of one barrier to entry affecting Coffee#1.

Level 1 (1–2 marks)
Candidate shows limited knowledge and understanding of one barrier to entry affecting Coffee#1.

(NB – award one mark for a non–contextualised answer)

0 marks no response or no response worthy of credit</td><td>4
(AO1 1)
(AO2 1)
(AO3 2)</td><td>Possible barriers to entry include:
Large expansion (start-up) costs
Marketing budgets and/or aggressive pricing by incumbent firms
Brand loyalty/presence of competitors
Legal restrictions (e.g., patents)
Unable to attain economies of scale (Accept examples of specific economies of scale).
Contextual evidence which may be used includes:
Coffee#1 only been in market since 2001
Any reference to data in Table 1
Coffee#1 has 115 stores
Rising costs, increased competition, high interest rates
Recent changes to consumption patterns.
NB: Accept answers which consider Coffee#1's position against entry from other brands.

Analysis could come from how barriers to entry affects Coffee#1's subsequent decision making. Analysis could also come from the specific negative impacts it places on Coffee#1 decision making.</td></tr>
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Question	Answer	Mark	Guidance
			Exemplar responses: Incumbent firms may have greater brand loyalty **(K)** with the leading four brands having nearly 5000 stores compared to Coffee#1's 115 **(APP).** This will require Coffee#1 to have a large marketing budget **(AN)** which may still not be enough to compete **(AN)** with companies such as Costa and Starbucks. Large expansion costs **(K)** especially if interest rates are high **(APP)** may mean that Coffee#1 is unable to afford city centre locations **(AN)** to enable it to challenge competitors **(AN)**. **ARA**

Question	Answer	Mark	Guidance
14*	**Evaluate the importance of different market research techniques to ensure Coffee#1's expansion is a success.** **Level 3 (11–15)** Candidate shows **strong** knowledge and understanding, analysis and evaluation of how Coffee#1 may use market research methods to help its expansion to be successful. *There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.* **Level 2 (6–10)** Candidate shows **good** knowledge and understanding, analysis and evaluation of how Coffee#1 may use market research methods to help its expansion to be successful. *There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.* **Level 1 (1–5)** Candidate shows **limited** knowledge and understanding of market research but with **limited or no** analysis and evaluation. *The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.*	**15** (AO1 2) (AO2 2) (AO3 4) (AO4 7)	Market research may be primary or secondary. It can be used to: • Describe the market • Explain the market • Predict changes in the market • Investigate the possible reaction of customers to any changes. Quantitative research may look at previous sales trends by your business and competitors. It may also produce forecast data about future sales if a change of tactics or strategy is decided upon. Qualitative research can be used to ask employees or customers opinions about current issues or proposed changes. Market research can be carried out by using surveys (both remotely and in-person), observation in-store, consumer panels, focus groups, or trial marketing. Relevant context about Coffee#1 includes: • Owned by Caffé Nero. • Coffee#1 has 4 core values with regards to the product, the stores, and the service. • Coffee#1 is a small player in a much larger industry which is dominated by 4 firms. • The business appears to be financially stable and confident about the future. • The industry is facing several economic challenges including energy costs, interest rates, and changing consumption patterns (especially the methods of service). • The stores offer a wide range of different products and variations within the product.

Question	Answer	Mark	Guidance
	NB – award **maximum** of **two** marks for a non–contextualised answer. **0 marks** no response or no response worthy of credit. In order to access knowledge, the candidate must mention a specific primary and/or secondary research technique. Identifying the specific purpose of market research is also acceptable to access knowledge marks. NB: Do not accept models such as Ansoff Matrix, Porters Generic Strategies etc. Note: This question is about the <u>importance</u> of different market research techniques to ensure expansion is a success. Note: For evaluating which method is the most important, both research techniques must have been mentioned and a comparison made, as appropriate.		• Current expansion is looking to move into the Midlands and inside the M25. • Growth is currently accelerating. • The future will see changes in working patterns (affects both employees and customers). Analysis can come from how market research helps Coffee#1 make specific decisions such as selecting the right products, the right pricing strategies, or a correct promotional mix. Analysis can also come from looking at how the inaccurate carrying out of market research could lead to the wrong specific decisions being made such as the incorrect pricing strategies. Good evaluation comes from questioning the validity of the market research method used. Better answers should consider which methods of market research are most appropriate for Coffee#1. As a small business, but with the backing of a large brand (owned by Caffé Nero), this may determine which options are available. Given the large amount of customer interaction happening (and encouraged) face-to-face methods may be more appropriate (and efficient.). This could be far better than competitor websites which may not give the reasons why customers are willing to pay a particular price. **ARA**

Need to get in touch?

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