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INTERNATIONAL
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INTERNATIONAL AS **BUSINESS**

BU01

Unit 1 Business and Markets

Mark scheme

January 2020

v1.0 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.

Further copies of this mark scheme are available from oxfordaqaexams.org.uk

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Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

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 descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

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 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, ie if the response is predominantly 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. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which 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 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.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

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

Section A

Total for this section: 17 marks

Question	Part	Marking guidance	Total marks
1		Which of the following measures the total value of a company's shares, based on its current share price? Answer: B (Market capitalisation)	1 AO1 = 1
2		Which of the following pricing strategies is being used when a business charges two different prices for the same product? Answer: B (Price discrimination)	1 AO1 = 1
3		A product gains a 30% increase in demand from a 5% decrease in price. Demand for this product may be best described as: Answer: A (Highly price elastic)	1 AO1 = 1
4		The sales for a business for the last 5 years are shown in Table 1 Calculate the percentage change in sales for this business from 2015 to 2019 <u>Difference in sales</u> x 100 (1 mark) Base year <u>90-40 = 50</u> 40 50/40 x 100 = 125% Must include percentage for full marks.	3 AO1 = 1 AO2 = 2
5		Joel is handing out marketing research questionnaires to people in a shopping centre using a stratified sample. Explain one advantage of using a different method of sampling. Indicative content Different methods of sampling are random and quota. A random sample relies on chance to gain a balanced cross section of respondents; a quota sample is a non-random stratified sample based on an attribute e.g.age, gender. Good response. 3 marks Defines different sample method and provides reasons as to why it might be better e.g.cheaper, easier, more manageable, more accurate. Reasonable response. 2 marks Defines random or quota sample, but fails to explain the nature of the sample. Limited response. 1 mark Identifies random or quota sample OR identifies primary research methodology.	3 AO1 = 1 AO2 = 2

<p>6</p>	<p>Explain one way in which setting objectives improves the performance of a business.</p> <p>Indicative content</p> <p>Objectives both long-term (strategic) and short-term are set to give a business a sense of purpose and direction, to provide goals, to help in deciding what tasks need to be done and when. Objectives give the business direction and help create efficiency.</p> <p>Good response. 3 marks Understands the nature of objectives (as goals or targets for specific parts of a business or the business as a whole) and can explain why they are important in giving the business direction, focus, efficiency and organisation.</p> <p>Reasonable response. 2 marks Understands the nature of objectives (as goals or targets for specific parts of a business or the business as a whole) but gives only a limited explanation of their role in providing focus and direction.</p> <p>Limited response. 1 mark Shows an understanding of the definition of objective.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>
<p>7</p>	<p>John's pizza shop sells 400 pizzas a week at a price of \$5 per pizza. His costs of production are \$1500 a week. Calculate his profit or loss for a week's sales.</p> <p>400 x \$5 = \$2000 revenue; (1) \$2000 - \$1500 = \$500. (1)</p>	<p>2</p> <p>AO2 = 2</p>

<p>8</p>	<p>Figure 1 shows a product life cycle. Explain what is likely to be happening to the cash flow of a product if it is at Stage A.</p> <p>Indicative content</p> <p>Stage A shows the research and development stage of a project. In this stage, there are no sales, but there are costs, so cash flow will be negative.</p> <p>Good response. 3 marks Understands the nature of Stage A as research and development and that costs with no sales = negative cash flow.</p> <p>Reasonable response. 2 marks Understands Stage A as research and development and either that cash flow is negative without reasons, or that there are no sales but without linking this to cash flow.</p> <p>Limited response. 1 mark Shows some understanding of Stage A as research and development.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>
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Section B

Total for this section: 27 marks

Question	Part	Marking guidance	Total marks
9		<p>Clox is a business which sells its well-known brand of luxury watches.</p> <p>Analyse why branding is an important part of the marketing mix for this business.</p>	<p>9</p> <p>AO1 = 3 AO2 = 3 AO3 = 3</p>

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.

Level	Marks	Descriptor
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <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	<p>A reasonable response which focuses on some of the demands of the question</p> <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	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding that may:</p> <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	Nothing written worthy of credit.

The focus of this question is the marketing mix - a term for all the ways that an organisation uses to market its products or services to customers.

Indicative content:

The demands of the question are to recognise that a combination of marketing elements is used, hence the term 'mix'. It is important for a business to achieve a reasonable balance of marketing mix, linked to the type of product they are selling and the market at which it is aimed. The question is focused on a key factor, which is: Branding – well known established brand.

Indicative content includes:

- Brands can be an important aspect of 'product' in the marketing mix especially for luxury consumer products.
- Branding helps customers recognise the product, can motivate them to buy, may affect preferences, may create loyalty.
- Companies may be able to charge higher prices because of a strong brand.

A good response will show a clear understanding of the factors affecting a marketing mix and its key components. It will analyse why the strong brand is important because this is a luxury watch, with a brand reputation and include ways that the brand can be used to support sales, with good reasoning.

A reasonable response may explain how branding is part of the promotional mix but may not make explicit the links between Clox' luxury product and the benefits of branding. It will analyse why the strong brand is important because this is a luxury watch, and include ways that the brand can be used to support sales, with limited reasoning.

A limited response may show some understanding of the factors related to branding, but fail to link it to Clox' specific situation.

Question	Part	Marking guidance	Total marks
10		<p>In some countries health services are in the public sector, provided by the state and paid for out of taxes. In other countries they are in the private sector.</p> <p>Analyse how transferring the ownership of a health service from the public to the private sector might affect two of its stakeholders.</p>	<p>9</p> <p>AO1 = 3 AO2 = 3 AO3 = 3</p>

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.

Level	Marks	Descriptor
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <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	<p>A reasonable response which focuses on some of the demands of the question</p> <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	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding that may:</p> <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	Nothing written worthy of credit.

The focus of the question is linked to private and public ownership (ie private businesses and government owned or controlled ones) and the effect on stakeholders of a change in ownership.

Indicative content:

The demands of the question are to recognise that stakeholders are those individuals or groups that have an interest in the success of a business and include customers, owners, employees and wider bodies such as the general public. There are also specific stakeholder groups with health services, such as patients.

Indicative content includes:

- Private sector businesses may be more efficient but need to be profitable – obligation to owners/shareholders
- Public sector businesses may provide better service but be inefficient due to lack of profit motive
- Stakeholders include patients, employees, government, shareholders, taxpayers.

Specific affects that may be given include:

- Customers may see improved services (faster, better) due to competition OR worse services as competitive providers take profits out; may see more/less choice;
- Employees could see changes to contracts/wages – could be for better or worse
- Managers – who may have different priorities in a private setting
- Government may save funds so can invest elsewhere e.g.roads, education.

Credit valid alternative content.

A good response will show a clear understanding of how a change of ownership might impact on areas such as the quality of treatment (patients as stakeholders); levels of taxation/public funding (government/taxpayer as stakeholders); changes in priority such as profits rather than service targets (managers and owners as stakeholders).

A reasonable response may describe how some possible outcomes to a change in ownership may affect a limited number of stakeholders.

A limited response may show some understanding of stakeholders but not link them specifically to health services.

Question	Part	Marking guidance	Total marks
11		Demand for cameras is falling as customers switch to smartphones to take pictures. Analyse why a camera business might choose to target new markets rather than changing its products.	9 AO1 = 3 AO2 = 3 AO3 = 3

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.

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	Nothing written worthy of credit.

The focus of this question is the product life cycle, which shows the stages that a typical product passes through from initial development to final decline and withdrawal from the market. In particular the focus is on two possible extension strategies to boost the sales of a declining product.

Indicative content:

The demands of the question are linked to the product life cycle, which shows the stages that a typical product passes through from initial development to final decline and withdrawal from the market. In particular the focus is on two possible extension strategies to boost the sales of a declining product'.

Indicative content includes:

Recognition that product is in 'decline' stage of product life cycle so business needs to react to change in market. Comparison of the two possible routes:

- Finding new markets for the product – so targeting different market segments such as professional photographers or hobbyists, or geographically different such as international markets; launching complementary products or services
- Changing the appearance and/or packaging and/or functions in a cosmetic way to make products more attractive (with an appropriate example in this market e.g. making cameras more colourful, providing extras such as 'carry cases' (specific knowledge related to digital cameras is NOT required).

Credit valid alternative content.

A good response will show a clear understanding of why a business would react to this change in its market and the choices that it could make to do so. Finding new markets means it has to target a different market segment (by age, income, gender etc.) with additional marketing expenditure but this could produce greater returns. It could also spend less money on trying to make the product more attractive but this carries risks. It may show some recognition that the product is in the decline stage of the product life cycle.

A reasonable response will show some understanding of the nature of target markets and why a change is needed. It will not explore both options in detail. It may show understanding of the position of this product in the product life cycle.

A limited response may show some understanding of target markets and cosmetic changes and of why a change is needed.

Section C

Total for this section: 36 marks

Question	Part	Marking guidance	Total marks
12		<p>Aqila uses traditional methods such as posters and leaflets to promote her business. She has been told that digital marketing is more effective.</p> <p>Assess the arguments for and against digital marketing and make a judgement as to whether she should use this to help sell her products.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</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 • showing sound knowledge and understanding of business terminology and with few, if any, errors • is well structured and well-focused. <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 • showing sound knowledge and understanding of business terminology and concepts with relatively few errors • is well-structured and generally focused. <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 evaluation but this has little support from arguments or does 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, 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 no evaluation or attempts evaluation but this is 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	Nothing written worthy of credit.

The demands of this question are to decide whether using digital marketing ie electronic marketing that uses the internet and media such as social media, smartphones, email, websites and search engines, is a good idea as opposed to more traditional methods.

Indicative content

Possible arguments for include benefits to consumers and the business:

The benefits to consumers include:

- Access to more detailed information on products
- Easier price comparison
- Being targeted according to known preferences
- May be able to connect directly with seller
- Can leave feedback to help other consumers.

The benefits to a business include:

- Selling 24/7
- Reaching a much larger, potentially global, consumer base
- Can develop customer loyalty through repeat business/social media/'personal' relationship
- Can target specific customers/customer types for both initial and repeat sales
- Mass communication is possible and relatively inexpensive
- Very quick response to market conditions is possible e.g.using email/social media.

Possible arguments against include drawbacks for consumers and the business:

Drawbacks to consumers include:

- Being dependent on efficient and secure systems, especially for payments
- Being unable to examine, test or try out products
- Delivery and logistics issues
- Security and privacy of their personal data
- Annoyance factor of constant bombardment.

Drawbacks to a business include:

- Being dependent on efficient and secure systems, especially for payments
 - Not having a high street presence to support a brand and brand image
 - Dangers of poor reviews having a negative effect on sales
 - Dangers of data breaches leading to loss of reputation.
-
- Overall it depends on a range of factors, including the market position and brand strength of the business.
 - There is better contact between buyer and seller, including seller's collection of information on buying habits and customer feedback on a website or via social media (customer database). This enables seller to target customers, including with additional products or services (such as recipes or subscription services).
 - Could be problems if there are poor reviews and there is no control over who reviews, when and where.
 - Competitors have lots of information about your business.
 - Aqila needs to weigh up the possible benefits and drawbacks to both the business and its customers.
 - Judgements may be based on the identification of a key factor. For example, a key factor may be the ability to build a relationship with consumers which brings about loyalty and additional purchases.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of argument.

Question	Part	Marking guidance	Total marks
13		<p>Fizz, a soft drinks business, is considering switching from non-recyclable plastic bottles to more environmentally friendly, but more expensive, recyclable ones.</p> <p>Assess the arguments for and against the switch to recyclable plastic and make a judgement as to whether Fizz should go ahead with the change.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</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 • showing sound knowledge and understanding of business terminology and with few, if any, errors • is well structured and well-focused. <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 • showing sound knowledge and understanding of business terminology and concepts with relatively few errors • is well-structured and generally focused. <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 evaluation but this has little support from arguments or does 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, 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 no evaluation or attempts evaluation but this is 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	Nothing written worthy of credit.

The demands of the question are to decide whether a change to recyclable plastic bottles from non-recyclable ones will be a good business decision for Fizz.

Indicative content

Possible arguments for the change include the benefits of showing the business to be environmentally responsible:

- Better reputation, especially internationally
- Stronger brand image
- Benefits to consumers and the environment
- Less plastic waste
- Consumers can show responsibility.

Possible arguments against the change include:

- Increased costs
- Changes to the production process might be necessary
- Quality of recyclable bottles may not be as good
- Possible reduced profits and therefore unhappy shareholders/owners/investors
- Inability to invest for the future.
- Adverse publicity from not making the change will have a negative influence on the reputation of the business, and this will impact on sales and customer/brand loyalty.

- Overall the decision depends on a range of factors, however, CSR and environmental responsibility are such powerful forces these days that, even if it impacts on profits, the business would be advised to change its practices in order to enhance its reputation.
- The decision may also depend on whether there are operational implications and/or cost implications.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of argument.

Question	Part	Marking guidance	Total marks
14		<p>The Convenient Coffee Company (CCC) sells a range of home coffee making machines priced as premium products. Ruby Roasters has started to produce similar machines at a lower price. CCC has decided to react to this competitor by cutting the prices of its machines.</p> <p>Assess the arguments for and against this decision and make a judgement as to whether CCC should go ahead with the cut in price.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</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 • showing sound knowledge and understanding of business terminology and with few, if any, errors • is well structured and well-focused. <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 • showing sound knowledge and understanding of business terminology and concepts with relatively few errors • is well-structured and generally focused. <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 evaluation but this has little support from arguments or does 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, 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 no evaluation or attempts evaluation but this is 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	Nothing written worthy of credit.

The demands of the question are to decide whether CCC should react to this competition (decision) to its premium product by lowering price.

Indicative content

Arguments for lowering price:

- Might increase demand
- Depends on price elasticity of demand for the product
- Can be done in different ways – short term reductions, for example.

Arguments against lowering price:

- Detracts from ‘premium’ brand
- Might deter consumers from buying
- Might not work (depends on elasticity)
- Competitor might respond by also lowering price
- Could reduce revenue and profits
- Other options are possible (e.g.increased promotional spending, customer loyalty scheme).

- Overall the decision depends on a range of factors, including the nature of the product and the market or markets in which it is being sold. Lowering price might, for example, lead to the 'premium' nature of the product being undermined and (depending on the strength of the competition) may start a price war.
- CCC may have a strong enough market position to do nothing, and this is a valid response.
- Credit valid alternative content.
- CCC will need to consider the costs and the possible outcomes in terms of demand. It will need to have some idea of how demand will react to a price change, therefore in terms of elasticity.
- As a business marketing a 'premium' product, CCC needs to be aware of the possible damage to its brand/image of a lower price.
- The decision may depend on a key factor – such as elasticity or the importance of the brand image.

No decision is right or wrong, but should be assessed on the quality of argument.