



Examiners' Report

June 2019

GCE Business Studies 9BS0 01

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June 2019

Publications Code 9BS0_01_1906_ER

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Introduction

It is clear that many centres and candidates are comfortable with the expectations of this paper.

The best responses from candidates made links between the two theme contents: Theme 1: Marketing and People and Theme 4: Global Business. For example, Spotify is a global business seeking to expand via stock market flotation. Therefore, are there any particular aspects of the selling of shares publicly, that would complement its continued global expansion?

Preparation for this paper should ideally include case studies in the news and examples based on real-life businesses. The skills candidates develop from analysing and evaluating the business decisions being made on a daily basis, are invaluable for this paper and qualification.

It is clear that candidates and centres have acted on the advice given from previous series. For example, the quality of evaluation in the longer question responses was strong in many cases this year, with candidates supporting judgements with effective reference to the business and situation, along with the options each business faces.

Time management by candidates appeared to be better in this paper. Candidates tended to offer incomplete or missing responses where their specification knowledge was lacking, rather than for questions that were simply at the end of the paper.

Question 1 (a)

This question required candidates to show their quantitative skills by interpreting the data in a graph presented in Extract A. There was some short additional information in the question stem that gave further information to support candidates' calculations. A number of candidates did not use this, preferring to calculate the percentage growth in music subscribers themselves. Whilst this approach was usually successful, it did take up more time and was unnecessary.

This question required candidates to show knowledge of market growth and quantitative skills. They were required to calculate, use and understand percentages and percentage changes, and interpret, apply and analyse information in written, graphical, tabular, and numerical forms.

1 Between 2010 and 2011, the number of music streaming subscribers grew by 62.34%.

(a) Using the data from Extract A, calculate, to 2 decimal places, the difference between percentage growth in 2010 to 2011 and that in 2019 to 2020. You are advised to show your working.

(4)

$$2010 - 2011 = 62.34\%$$

$$2019 - 2020 = \frac{\text{change}}{\text{original}} \times 100$$

$$= \frac{(221.5 - 204.5)}{204.5} \times 100$$

$$= 8.3129\dots$$

Difference in percentage growth =

$$62.34\% - 8.31\% = \text{answer } 54.0270$$
$$= 54.03 \text{ (3dp)}$$



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Examiner Comments

This response clearly follows the requirements of the question. They have shown their working effectively and presented their answer to 2 decimal places as advised (despite the statement at the end of the response in brackets). This is a 4 mark response.



Use all space to show your working. Read the instructions in the question carefully, noting the information (eg years and sales growth) that you will need. Use all available information and avoid making unnecessary calculations.

1 Between 2010 and 2011, the number of music streaming subscribers grew by 62.34%.

(a) Using the data from Extract A, calculate, to 2 decimal places, the difference between percentage growth in 2010 to 2011 and that in 2019 to 2020.

You are advised to show your working.

(4)

$$2010 = 7.7 \text{ million} \quad \text{difference} = \text{original} \times 100$$

$$2011 = 12.5 \text{ million}$$

$$12.5 - 7.7 = 4.8$$

$$2019 = 204.5 \text{ million}$$

$$4.8 \div 7.7 \times 100 = 62.34\%$$

$$2020 = 221.5 \text{ million}$$

$$221.5 - 204.5 = 17$$

$$17 \div 204.5 \times 100 = 8.31\%$$

$$62.34 - 8.31 = 54.03$$

$$54.03 \div 62.34 \times 100 = 86.67\%$$



The working in this response is less clear, despite the candidate completing a range of calculations. It received 3 marks out of 4 because the candidate had not calculated the difference between the two rates of growth.

Question 1 (b)

This question required candidates to show quantitative skill QS8, interpreting the information from extract, and using this information to show knowledge and understanding of the product life cycle. The best responses referred to the specific years and level of sales in the diagram, showing clear interpretation of the data presented.

- (b) Using the data from Extract A and your knowledge of the product life cycle, explain **one** way in which the marketing of music streaming might be different in 2010 compared to 2019.

(4)

~~As~~ In 2010 the ^{volume of streaming} ^{subscribers} was 196.8 million less than the projected for 2019. As the introductory stage of the product life cycle, ^{in 2010} the suspected growth and progression ^{in 2019 reaching maturity} of the number of subscribers [^] will require less advertising/marketing on a global scale in 2019. This may include changes to the patterns of marketing choices from trying to spread brand awareness, ~~to~~ marketing on a smaller scale to existing consumers; to encourage [^] spending and ~~to~~ customer loyalty to their streaming [^] service.



This candidate uses the information in the extract accurately, quoting the data and sales in each year, and matching this to the product life cycle. For example, suggesting that 2010 was the 'introductory' stage. At the end of the response the candidate fully answers the question, because they explain how the marketing of music streaming might differ at each stage. For example: 'from trying to spread awareness... to increasing customer loyalty.'



This candidate achieves 4 marks because they identified how the sales data had changed, but they also suggested the effects this might have on marketing. Make sure you read all aspects of the question and attempt to complete each one.

Question 1 (c)

This question was based on the Theme 1 content area of stock market flotation. While many candidates were able to access the question and write effective responses, some were not. Those who were not able to achieve good marks did so for two main reasons: either not knowing the term 'stock market flotation' and therefore guessing that this applied to Spotify's management of stock, or those that showed some understanding of it involving share issue, but not being able to explain the benefit of this to Spotify.

There were a large number of candidates who suggested that raising finance through selling shares raises revenue, when in fact it is a source of finance, and therefore cash.

(c) Assess the likely consequences of stock market flotation for a business, such as Spotify.

(10)

Stock market flotation is when the stock market keeps changing so profit is important as a sudden rise or decline could happen.

The first consequence of stock market flotation for a business such as Spotify is profits. Profit is important for any business but for music streaming services such as Spotify it is very important. It is very important because 70% of its subscription revenue goes to record labels and publishers. If Spotify doesn't pay that then publishers and record labels then they won't allow their clients' music to be on the app which will force listeners to drop and with listeners changing to rival music streamers like Apple Music then Spotify will see a fall in profits.

The second consequence of stock market flotation for a business such as Spotify is then becoming a PLC. If Spotify wants to become a PLC then the stock market flotation must be on the rise as if it is low then Spotify will be

Highly their company to the highest share holder. If the stocks are low and the highest share holder wants the company he could potentially buy more shares at a low price and take over Spotify. So Spotify must change when prices are up instead of down.



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Examiner Comments

This response scored 4 marks. In the second paragraph there is some understanding of Spotify becoming a PLC, but the first half is unclear and muddled. There is some accurate context, but there is not a clear link showing how flotation can help to raise finance for the expansion of a business such as Spotify.



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Examiner Tip

Learn and understand all the key terms in the specification for each theme, as any of these can be examined. When identifying a business becoming a PLC, think about the purpose of this and why a large injection of additional capital might be beneficial to a business.

Question 1 (d)

The concept of dynamic markets was accessible to a wide number of candidates. The best responses were able to identify from the extracts, how the market for consuming music was dynamic and what the implications for the business were. Those implications could be marketing related, due to the need to constantly update, inform and attract new customers, or it could be operational implications, such as the need to continually research and develop to stay ahead of competitors.

(d) Assess the consequences to a business, such as Spotify, of operating in a dynamic market.

(12)

A dynamic market is a market of which contains ^{low} high market share due to a lot of competitors.

A likely consequence to a business such as Spotify of operating in a dynamic market is that being competitive can help implement growth for the business. This is because in order for Spotify to remain competitive with competitors such as Amazon they need to always be looking to improve their business. This means that by Spotify doing things such as adding short video clips to their app gives the business a USP differentiating it from competitors and gaining more ~~can~~ subscriptions. This therefore could lead to an increase in market share. However, if rivals are quick to respond to Spotify's changes they could update their apps with a feature more appealing to a consumer and so therefore consumers switch from Spotify to a rival such as Amazon.

Another likely consequence of Spotify operating in a dynamic market is that it can actually slow the growth of Spotify. This is because where there are so many competitors within the market it may make it difficult to grow if others are growing faster. For example, the majority of the population is likely to own an iPhone which makes it more probable that they will subscribe with Apple music rather than Spotify meaning that Apple music will have the higher market share overall.

Overall, I believe that operating in a dynamic market is more of an advantage rather than a disadvantage to a business such as Spotify as it gives the business a motive to grow in order not to end up in business failure. It depends on how much market share competitors are able to maintain and how fast they are growing.



This response achieved 12 marks. It is clear, concise and well-structured, with a clear analysis of the implications of a dynamic market for Spotify. It clearly uses the extract effectively, but does not simply copy from it. There is also clear balance, as is required in an 'assess' question. The connectives used in the response, show clear chains of reasoning, ending in a balanced judgement.



Make use of connectives to enhance your analytical writing. For example: 'one implication might be... this could mean that...however, it should also be considered...' However, make sure there is sufficient business content and application to fully show your analytical and evaluative skills.

Question 1 (e)

This question had a very clear focus on aiming to extend the product life cycle of Spotify's streaming products. The best responses ensured that their evaluation of the two options was always linked back to how and why these options would or would not support this extension. Less successful responses tended to discuss the costs and benefits of operating in established or emerging markets. These were therefore less focused on the specific requirements of the question.

For these 20 mark questions (along with Q02(e)), it should be noted that there is an expectation of a recommendation after the options have been evaluated. The best responses provided a clear recommendation of how, and why, the chosen option should be implemented. Less successful responses provided simple conclusions, which limits candidates' ability to access the upper level 4 marks.

Spotify is aiming to extend the product life cycle of its music streaming business. Spotify could either focus on marketing strategies in existing markets, such as Europe and the USA, or expand into emerging markets, such as those in Asia.

(e) Evaluate these two options and recommend which **one** is most suitable for Spotify to extend the product life cycle of its music streaming business.

(20)

I believe that focusing on marketing strategies in existing markets is the best option. This is because Spotify will already be familiarised with the market as they've operated in it. As a result, Spotify will know and understand the needs and wants as they already have research. For example, through market research they were introduced video clips to the music. Therefore, it will be cheaper than the other option because money will have to be spent on market research for a new market. This leads to less costs, meaning more money for Spotify to spend on research and development to improve the life cycle of its music, e.g. maybe adding virtual reality to its clips. This will lead to higher customer satisfaction because more research is done on its product, adding quality, resulting in repeat purchase and customer loyalty. This will give Spotify a competitive advantage over rivals such as Apple because of the customer loyalty developed.

However, a drawback of remaining in the existing market is that it is very saturated. There are so many rivals such as Apple Music, Google, Tidal, Audiomack that it may be hard to remain in the market because it is so competitive. This is further emphasised by the fact that Spotify has to operate at a loss now

because it's so competitive. Therefore, it could be a good opportunity to go into asian markets and diversify.

Others believe that expanding into different markets such as Asia is the better option.

This is because it increases your target market, because as well as having the domestic market in the UK and US you ~~know~~ now have the asian market. This means that awareness for your product is greater. E.g. Spotify may team up with mobile providers such as Vodafone and Stream music in Asia. This leads to higher customer awareness, resulting in higher subscriptions for Spotify. This leads to higher sales revenue because of the higher awareness and sales. This will allow Spotify to make up for the loss they've been making and have more money to pump back into Research and Development. This will allow them to make their service better and meet the needs of the asian market.

This will also be cheaper in the long term as less money will have to be spent on advertising with the joint collaborations with phone providers and also having a target market in Asia.

However, consumers in Asia don't have the disposable income that ~~they~~ consumers have in the UK and US, therefore they may be less inclined to pay the premium prices charged by Spotify. Therefore, this is a drawback as if Spotify were to adopt this approach they may not make as much

profit as anticipated.

In conclusion, for extending the product life cycle I believe going into new markets is better in the long-term. This is because Spotify will have a larger market to target, meaning sales are going to be higher. Furthermore, it is cheaper because less money will have to be spent on advertising and depending on the exchange rate Spotify are able to gain control of the market.

However, short-term remaining in the existing markets may be more suitable as there won't be short-term costs such as market research, meaning more money to improve its service and improve its life cycle.

Overall, I do believe moving into Asian markets is better and cheaper and also widens the target market, meaning more sales.



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Examiner Comments

This response scored 19 marks. It is well-structured, balanced and is clearly applied to the Spotify business situation. Of particular note is the way that the response returns to the focus of the question, that of extending the product life cycle, in the overall recommendation. This shows that the candidate has clearly answered the question. The recommendation also identifies the importance of the short and long term, and how circumstances will change over time, thus affecting the overall judgement.



Make sure you leave time and space for a developed recommendation in these 20 mark questions. This should be more than a simple conclusion, but should explain how and why the option you have chosen is best in your view, and how the business might implement the changes you have suggested. Also, identify what your recommendation depends on. In this example, the candidate links back to the importance of stock market flotation and its wider affect on plans.

Spotify is aiming to extend the product life cycle of its music streaming business. Spotify could either focus on marketing strategies in existing markets, such as Europe and the USA, or expand into emerging markets, such as those in Asia.

(e) Evaluate these two options and recommend which **one** is most suitable for Spotify to extend the product life cycle of its music streaming business.

(20)

Focusing on marketing strategies in existing markets is much more suitable for Spotify. This is because the growth in their biggest market (USA & Europe) have been stagnating, from 2018 - 2020 the market is predicted to grow slower than it did previously. Because of this, Spotify should prioritise their current markets as their main source of ^{consumers} ~~profits~~ come from these markets. Extending the product life cycle will allow for them to gain more subscriptions which would lead to greater profits & growth as their shareholders will see this, they will be ~~or~~ more willing to invest in their business. ~~Therefore, they need to~~ Therefore, they need to maintain the sustainable growth in these markets for the future long-run of their business. Furthermore, Ansoff would state that ~~Product~~ Penetration & product development in existing markets is much easier & less risky. However, the US & Europe markets have been highly saturated, there are many competitors like Apple & Amazon that will compete to maintain the market share, so maintaining in these stagnating markets could be risky. This is because consumers will be

advertising is settled and relatively used to their preferred choice of ~~the~~ streaming. Therefore, wasting capital on marketing to get brand awareness or attract more customers may be a waste of money in these markets. I would recommend that they keep the marketing in existing markets to a minimal to save costs as the market is too saturated.

~~They~~ Focusing marketing strategies in new markets is the most suitable method for Spotify. This is because even though the Asian market only generates 14% of the world digital music, it is growing rapidly. Therefore, Spotify must act immediately to penetrate this market before competitors like Google beat them to it. This would lead to them gaining a higher market share & in the long-run, when the Asian market grows even more, they can become the main player in that market. The earlier they penetrate this market the better, because they can establish customer loyalty & make the greatest number of revenues possible, leading to high profits. ~~For~~ Additionally, the Asian market is huge, the population of Asia is the biggest of the continents, this is the market that ~~is~~ has

the most potential for profits. However, many of the Asian countries ~~have~~ have low GDP per capita & exchange rates can also be a problem. This would mean that ~~the~~ Asian consumers will be unwilling to pay for services that are expensive, therefore Spotify may have to lower prices. This will lower the profitability in these markets as they will be forced to charge low prices, furthermore exchange rates may be too ~~expensive~~ for lower the profitability in some Asian markets, this will lead to ~~wasted capital~~ short term problems.

Overall, I believe ~~of~~ marketing in growing markets is better for Spotify than ~~current markets~~. This is because



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Examiner Comments

This response shows some clear chains of reasoning, with some clear appreciation of the different markets in each option. There is also some good application to Spotify and the nature of its business. However, it achieved 11 marks because the analysis was not developed sufficiently, and there was a very limited judgement and recommendation. The link to extension strategies was also not as clear as better responses to this question.

Question 2 (a)

Market research tends to be an accessible area of the specification for candidates, and this proved to be the case with this question. The best responses used data from the extract to exemplify a limitation - the most common approach being to state that it was from 2016, and therefore out of date. The explanation/analysis mark is for responses that suggest why the limitation identified is such.

2 (a) Explain **one** limitation of secondary market research data, such as that presented in Extract D.

(4)

Secondary market research is the research data / info already in existence e.g. sales figures. A limitation is

o The data is from 2016

o ~~Not specific~~ Not specific age ranges e.g. ~~retail~~ 24 and below.

Due to the data being from 2016, the the info may be out of date, meaning the data would now be inaccurate.



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Examiner Comments

This response is clear and concise. Secondary market research is defined, with limitations identified. The question asks for one limitation, but the candidate gives two. They are not penalised for this, but cannot gain additional reward for doing so. The final paragraph explains the limitation in sufficient detail.



If the question asks for one limitation, only spend time explaining one. While you will not lose marks for explaining more than one, you will not gain reward for the second response, and this uses valuable time. Where there is reference to an extract in the question (in this case Extract D), make sure you support your answer with examples from this.

Question 2 (b)

QS3 is 'construct and interpret a range of graphical forms'. In theme 1, demand and supply diagrams are an important example of these graphical forms. Candidates can increase their chances of gaining marks for this type of question by remembering and applying the acronym 'ACE', which stands for Axes, Curve, Equilibrium - the basics of drawing and demand and supply diagram.

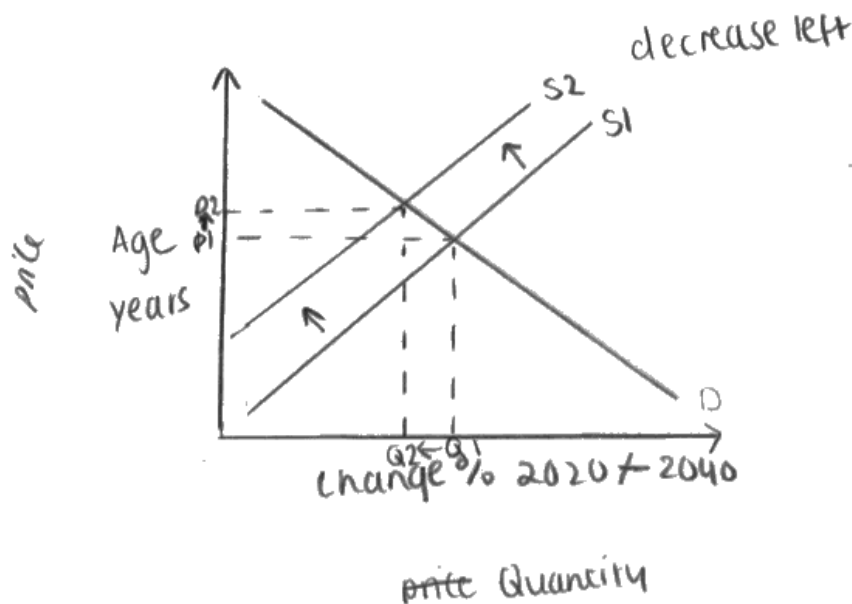
The best responses to this question were clearly labelled, drawn with a ruler and identified the one, inward shift of the demand curve, which resulted in reduced demand and reduced price in the market.

Candidates can increase their chances of success in a question like this by learning and applying the factors that shift demand and separate those that shift supply. In this case, a change in population is a demand factor.

Consumers aged 40–59 years old are the largest age group in the USA coffee market.

(b) Using the data in Extract E, draw a demand and supply diagram to show the likely effects of the estimated change in population for the 40–59 age group on the USA coffee market.

(4)



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Examiner Comments

This response confused demand factors with supply factors, with the candidate shifting the supply curve in error. The response still achieved 2 marks because the curves and axes were accurately labelled.



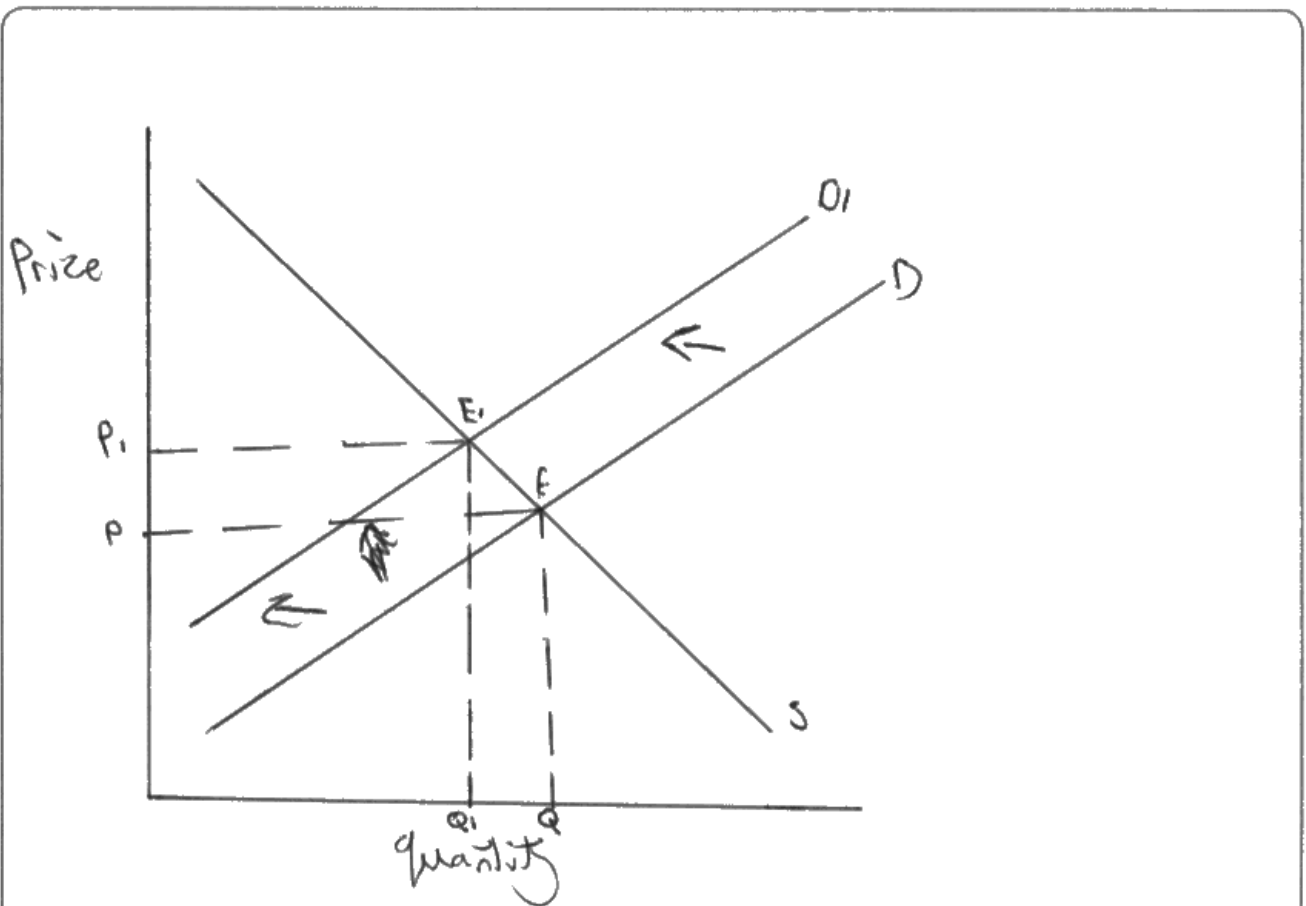
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Examiner Tip

If you are not confident about the correct shift in the curves, make sure you accurately label these, along with the axes of your diagram. You will still achieve some marks for such a response.

Consumers aged 40–59 years old are the largest age group in the USA coffee market.

- (b) Using the data in Extract E, draw a demand and supply diagram to show the likely effects of the estimated change in population for the 40–59 age group on the USA coffee market.

(4)





This was a common mistake - candidates labelling the demand and supply curves the wrong way around. There is some understanding here, but the basics are not completed accurately.



Think about the logical reasoning behind demand and supply curves when drawing and labelling these. As price falls, demand increases, so the curve is downward sloping. For businesses, as the market price rises, it is more attractive to supply, so quantity supplied increases with price, and is upward sloping.

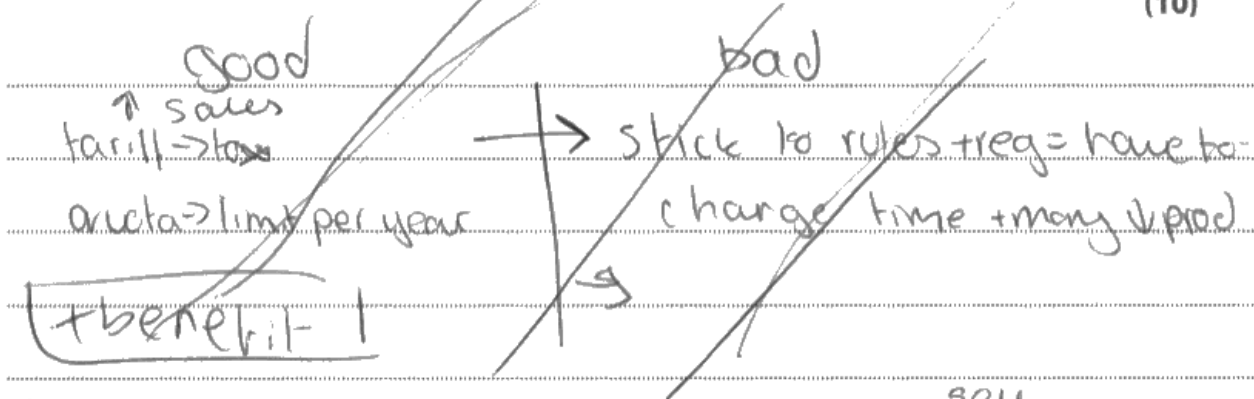
Question 2 (c)

Trading blocs is an important feature of the Theme 4 content. In general, candidates were able to combine the information about NAFTA in the extract, with a sound understanding of the concept from their studies. The best responses linked the lack of tariffs and quotas to opportunities for Lavazza to increase revenue and reduce costs in the North American markets. Some of the better responses speculated that the coffee Lavazza sold might be sourced from Mexico and that this might provide an opportunity to gain access to new supplies, tariff-free.

Less successful responses focused on North America as a new market, and analysed the impacts of this. While there is some merit in this line of response, the focus of the question is trading blocs and there should be some analysis of these arrangements in a large part of the response.

(c) Assess the likely benefits to Lavazza of operating in the NAFTA trading bloc.

(10)



A trading bloc is a group of countries who ^{sell} ~~open~~ freely to each other without any tariff walls. For example 'Lavazza' would have to ~~to~~ pay a tax to import to the USA as Canada and the USA are part of NAFTA. ^{sell} this makes it harder for imports to be imported into the trading bloc.

A benefit of Lavazza operating in the ~~NAFTA~~ NAFTA trading bloc is that their unit cost will be lower than their competition outside the trading bloc as they won't have to pay tax on imports. Therefore this gives Lavazza a competitive advantage as they can have higher profit margins which they can use to reinvest back into the brand.

However, by operating mainly in a trading bloc Lavazza may forget about ^{other} highly profitable markets which may be further away but could be fast growing. For example, India has a fast expanding population of young people and ^{research shows} 17.1% of consumers of coffee in 2016 were below the age of 39, therefore, this could potentially be a fast growing market in which Lavazza miss out on, which will

lose their market share over their competition ^{eg costa} who may maximise from ~~prod~~ market development. The USA is one of the most economically rich countries in the world, therefore being able to import to and from the USA with no tariffs or quotas could hugely benefit Lavazza, therefore being part of the NAFTA trading bloc could benefit it. However, it depends on the rules and regulations they need to stick to to be part of the trading bloc. For such as, they need to 'treat each other's goods and services as they treat their own' this could be limiting to the brand and increase expenses. The most important factor is that Lavazza market well to consumers within NAFTA to maximise from not having to pay tariffs.

Another benefit of Lavazza operating within the NAFTA trading bloc is that they won't have a limit on the volume of products they can import in a year (quota). Therefore they have a competitive advantage over rivals and can gain a competitive advantage over them this way. Furthermore, Lavazza has been a 'major business in Europe' but countries in NAFTA other than the US haven't been a huge consumer base for Lavazza. So operating within the trading bloc may hugely increase their target market.



This response scored 10 marks. It is very thorough in its application to NAFTA and analyses the trading opportunities that Lavazza will gain from NAFTA. Importantly it is also balanced, identifying that Lavazza may lose focus on existing markets as a result of their new expansion.



Be clear about the features of all trading blocs, such as free trade arrangements, and apply these to the specifics of the geographical area in question. Think about the business example in terms of revenue and profit, so that a discussion of profit is possible.

(c) Assess the likely benefits to Lavazza of operating in the NAFTA trading bloc.

(10)

Operating in the NAFTA trading bloc is beneficial due to "secure access to markets" Canada and the US are ~~big~~ large economically developed countries with high control in retail industries. The markets will be very profitable to operate in with having 63.2% consumers aged 40 to 59 many of which will spend their incomes on coffee shops. Creating a strong revenue stream to take hold of and aid development into other markets other Europe.

Another benefit is production opportunities many coffee suppliers come from South America therefore operating in NAFTA allows shorter trading distances to get these supplies which will reduce transport costs for the business and also aid in reducing emissions to support Lavazza's brand portfolio making them more desirable to the market.

As a result these benefits will boost Lavazza as coffee producers allowing them to possibly expand further into well known coffee outlets as well as their current small specialised outlets.



This response shows promise, but is not sufficiently developed. It therefore achieved 5 marks. It could be improved with a more detailed analysis of the effects of the changes on Lavazza's costs and revenues.

Question 2 (d)

Adapting the marketing mix to global markets is a central concept in Theme 4. The marketing mix aspect also crosses over with Theme 1, so there is the opportunity for candidates to make links across the specification in this question. The question was not limited to the new North American markets of Lavazza, but focusing on these would have given candidates a more straightforward opportunity to gain application marks.

Good responses to this question went beyond the promotion aspect of the marketing mix, linking aspects of different markets such as disposable income to pricing strategies. The most perceptive answers argued that coffee was a pretty universal product and that any differences in marketing mix were unlikely to focus on adapting the product.

(d) Assess the likely importance to a business, such as Lavazza, of adapting its marketing mix to global markets.

(12)

Marketing Mix is where a business ~~adapts~~ ^{considers} ~~their business to the locals.~~ the price, product place and promotion

Lavazza may want to be Ethnocentric. This is where they treat the whole ^{international} market as their domestic market. ~~They can sell the same product to americans.~~ ^{They can sell the same product to americans.} This would mean that Lavazza can increase their sales and with lower risks and costs. This is because Lavazza does not have to do market research and continue selling what they specialize in - their coffee products.

However, this can be very risky as they are in a different market. Treating the American market as the European market means that Lavazza is considering the consumer tastes to be the same. This can be an issue as there may be culture differences on how the consumers in general prefer their coffee products. As a result of this, Lavazza may face experience business failure in settling down in the American market.

On the other hand, Lavazza can consider ^{trying} ~~being~~ ~~to be a lower priced company~~ ~~Polycentric~~ where they sell a more localised ^{white being cheapest} products. Lavazza could sell products with ~~that~~ ^{with} ~~meet~~ the needs and tastes of the American locals ^{with} ~~low prices~~ while still maintaining their brand. As a result of that, Lavazza should find it more easier to be accepted by the locals and be more competitive with Starbucks and other firms.

However, Lavazza may face threats from larger competitors such as Starbucks who have very loyal customers and high market share. This means that Lavazza will find it difficult to successfully compete and gain market share as to some ~~peop~~ local coffee from Starbucks would be price inelastic.

Overall, Lavazza trying to use the marketing mix to have access to the American market would be difficult as they have to consider promotion. The American market has very large competitors meaning that Lavazza may have to advertise a lot and this is a large sunk cost and set up cost ~~and~~ causing Lavazza to have lower funds available to invest in their business.



This response utilises global marketing strategies, such as an 'ethocentric' approach, to provide a detailed analysis of Lavazza's options. It achieved 11 marks because the response is balanced - explaining both the arguments for and against adapting the mix, and because it is clearly applied to the different features of Lavazza's new markets.



When considering the marketing mix, remember to discuss more than one of the four Ps. In this case, from a global perspective, 'place' could be particularly relevant if customers in different markets are used to consuming coffees in different outlets in different countries.

Question 2 (e)

The final question was accessible to a wide range of candidates. The better responses, focused their response on the requirement of the question - namely to make a recommendation that would improve employer-employee relations. Less successful responses answered in relation to staff motivation in general, and therefore did not answer the question directly, despite good understanding of organisation structures and flexible working.

The extracts contained sufficient stimulus for candidates to apply their answers, and the best responses were clearly focused on the 'North Star' strategy and the effects of this as explained in the article.

As with question Q01(e), the importance of a 'recommendation' should be emphasised as a means to achieving the highest marks on responses such as this.

Starbucks aims to improve employer-employee relations in its USA stores. To do this, Starbucks could either focus on changing its organisational structure, or extend its flexible working practices for employees.

- (e) Evaluate these two options and recommend which **one** is the most suitable for Starbucks to improve its employer-employee relations.

(20)

Organisational structure involves how ~~an~~ many layers are between employees on the bottom layer and the boss at the top.

Starbucks operates as a flat structure. They should focus on changing organisational structure to tall because a tall structure means there are many layers for employees to move up and advance. This is likely to ~~not~~ motivate workers to work harder in order to move up the ~~ladder~~ structure, which is important in such a competitive market as increased motivation means increased productivity, therefore employees may make and sell more coffees, increasing profits. However, Starbucks may not benefit from changing organisational structure because moving to a tall structure means ~~communication~~ communication as a whole will be worse as leaders at the top will have more layers to go through to understand the day-to-day running of the business. This is especially important as Starbucks are already ~~an~~

experiencing problems such as less support and reduced management. Therefore by moving to tall structure it could demotivate employees more. This is important in a competitive market where demotivation could decrease competitiveness leading to a decrease in profits where consumers go elsewhere.

~~Instead,~~

Instead, Starbucks should focus on its flexible working practices for employees, such as increasing more flexible hours. This might benefit Starbucks because as staff are complaining that their labour was cut in half last year, by giving employees more flexible hours to choose when they work, it ~~can~~ should increase their motivation. This should therefore increase customer service because if they are happier, consumers are more likely to buy products, increasing profits.

However, Starbucks might not want to focus on flexible ~~on~~ hours because this is likely to increase costs for Starbucks and ultimately they want to make a profit. This is important in order to

stay competitive so treating staff as a cost is best. This is important in such a competitive market where if Starbucks is too expensive there are plenty of alternatives for consumers. Therefore flexible working may increase costs and decrease profits.

Overall, Starbucks should focus on flexible working practices because if employees can choose hours around lives such as education, it is likely to motivate them leading to better employer-employee relations and more products sold. This is more important than structure because moving to a tall structure is likely to lead to more discommunication between levels demotivating employees further and impacting on demand and therefore profits.



This answer has many positive features. The candidate clearly uses the extract and uses it effectively to support their answer. There is also clear knowledge and understanding of organisational structures and flexible working. For this reason, the response was marked at the lower end of Level 3.

To improve this answer the candidate could explain their points to build analysis. There are some assertions in the response, for example, 'flexible working is likely to increase costs', without any explanation of how or why these costs might be increased. Also, the judgement appears to relate to the motivation of staff, rather than their relationship with employers, which is the focus of the question.



Make sure your points are developed beyond assertions. Explanation is important: after a statement, explain how or why this is the case. For example, 'flexible working might add to Starbucks's costs because there might be a need for more staff to cover all hours that the coffee shops are open for.' Also, make sure any recommendation clearly answers the question.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Show a full understanding of the specification terms. It is useful to remember that all terms in the published specification could be features of a question and without sufficient confidence in each area, it can be difficult to respond to questions fully. For example, the question on stock market flotation was an area where many candidates struggled to show sufficient understanding, despite it being a key content area of Theme 1. Regular retrieval testing, including: completing glossaries, crosswords, multiple choice quizzes, or revision cards, can help candidates' confidence in this area.
- Avoid generic responses that could be relevant to any business, rather than focusing on those in this particular paper.
- Confidence in quantitative skills is essential. These are clearly outlined in the specification, and practise helps to improve confidence in this regard.
- Effectively manage your time. For example, Q02(d) and Q02(e) were often left incomplete, despite clear evidence that candidates had the knowledge and understanding to approach these effectively.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

