1.16 Adding Value in Business: 10-minute Pack

AQA 8132 · Calculators not allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. Short answers may be one line; longer answers should use full sentences. Show any brief working where required. The pack uses two fictional businesses, Oak & Bean Cafe (premium) and Budget Brew Cafe (budget).

1 Which one of the following methods of adding value is represented by a recognisable logo and consistent packaging for a product sold in a shop?

- ☐ A) Branding
- ☐ B) Bulk discounting
- ☐ C) Reducing variable costs
- ☐ D) Extending credit terms

(Total for Question 1 is 1 mark)

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2 State two reasons why simply raising the price of a product without adding any extra value is unlikely to work well for a business.

(Total for Question 2 is 2 marks)

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3 State one reason why adding value allows a business like Oak & Bean Cafe to charge a premium price for its coffee.

(Total for Question 3 is 1 mark)

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4 A cup of coffee at Oak & Bean Cafe uses £0.40 of bought-in ingredients (coffee beans, milk and a disposable cup) and sells for £3.20. Calculate the value added on one cup of coffee, in pounds. Show your working.

(Total for Question 4 is 2 marks)

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5 The scenario: Oak & Bean Cafe is a small premium cafe in a city centre that offers artisan coffees, comfortable seating, friendly table service and a loyalty app. Identify two methods Oak & Bean uses to add value from this description.

(Total for Question 5 is 2 marks)

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Mark scheme · 1.16 Adding Value in Business: 10-minute Pack

Question 1

A cao **B1**

Answer: A

Question 2

customers may not be willing to pay more if they see no extra benefit, so sales could fall **B1**

customers could switch to a competitor selling a similar product at the original, lower price **B1**

Answer: Any two, for example: customers may not pay more with no extra benefit, so sales could fall; customers could switch to a cheaper competitor selling a similar product.

Question 3

customers perceive higher quality or uniqueness and are willing to pay more **B1**

Answer: Customers perceive higher quality or uniqueness and so are willing to pay a premium price.

Question 4

3.20 - 0.40 seen **M1**

£2.80 cao **A1**

Answer: £2.80.

Question 5

quality of product/service, e.g. artisan coffees **B1**

customer service or convenience, e.g. friendly table service or a loyalty app **B1**

Answer: Any two, e.g. artisan coffees (product quality) and friendly table service or the loyalty app (customer service/convenience).

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