1.16 Adding Value in Business: 30-minute Pack

AQA 8132 · Calculators not allowed · about 30 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 correctly defines 'value added' in pounds?

- ☐ A) Selling price plus the cost of bought-in materials
- ☐ B) Total revenue minus total expenses
- ☐ C) Selling price minus the cost of bought-in materials and components
- ☐ D) Selling price divided by the cost of bought-in materials

(Total for Question 1 is 1 mark)

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2 State one feature of strong branding that helps add value to a product or service in a retail context.

(Total for Question 2 is 1 mark)

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3 At Budget Brew Cafe, a cup of coffee uses £0.35 of bought-in ingredients and sells for £1.50. Calculate the value added on one cup of coffee at Budget Brew, in pounds. Show your working.

(Total for Question 3 is 2 marks)

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4 Oak & Bean offers a loyalty app that gives free drink after eight purchases. State one advantage of this loyalty scheme as a method of adding value.

(Total for Question 4 is 1 mark)

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5 Budget Brew improves convenience by introducing a mobile pre-order queue that reduces wait time. State one likely effect on perceived value.

(Total for Question 5 is 1 mark)

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6 A small packaged sandwich company uses better presentation and a clear logo to stand out from unbranded rivals. Identify two financial advantages the business can gain from adding value this way.

(Total for Question 6 is 2 marks)

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7 Explain how convenience improvements at Budget Brew, such as a clear grab-and-go layout and pre-order app, add value for customers and can benefit the business. Use the Budget Brew context in your answer.

(Total for Question 7 is 4 marks)

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8 The scenario: a local bakery sells two types of loaf. 'Heritage Loaf' is hand-crafted, wrapped in branded paper and marketed as traditional; 'Basic Loaf' is plain, unbranded and cheaper. Identify one method of adding value used for the Heritage Loaf and one likely customer reason they will pay more for it.

(Total for Question 8 is 2 marks)

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9 Oak & Bean Cafe offers artisan coffee, comfortable seating, branded packaging and a loyalty app. Budget Brew focuses on low price, fast service and grab-and-go. Evaluate which single method of adding value would benefit Oak & Bean Cafe most right now: improving product quality, improving customer service, strengthening branding, or increasing convenience. Justify your decision using application to the cafe and reasoned analysis of at least two options before reaching a conclusion.

(Total for Question 9 is 9 marks)

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10 A small stationery shop increases the price of its notebooks by 50 percent but changes nothing else about the product, packaging or service. Analyse the likely effect of this decision on the shop's sales and profit, using the concept of adding value in your answer.

(Total for Question 10 is 6 marks)

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Mark scheme · 1.16 Adding Value in Business: 30-minute Pack

Question 1

C cao **B1**

Answer: C

Question 2

brand recognition or trust, e.g. customers recognise and trust the brand **B1**

Answer: Brand recognition or trust, so customers recognise and trust the product or service.

Question 3

1.50 - 0.35 seen **M1**

£1.15 cao **A1**

Answer: £1.15.

Question 4

encourages repeat purchases, increasing customer retention **B1**

Answer: It encourages repeat purchases, increasing customer retention.

Question 5

customers perceive the service as more convenient, so value increases even if price stays low **B1**

Answer: Customers will see the service as more convenient, increasing perceived value without raising price.

Question 6

can charge a higher price because perceived value is higher **B1**

may increase sales volume or market share as customers choose the branded product **B1**

Answer: Can charge a higher price due to higher perceived value; may increase sales or market share as customers prefer the branded product.

Question 7

identifies convenience improvements, e.g. grab-and-go layout or pre-order app **B1**

develops with customer effect, e.g. customers save time and find it easier to purchase **B1**

develops with business effect, e.g. higher turnover or more frequent purchases during peak times **B1**

links to outcome, e.g. increases perceived value without large cost rise, helping retain price-sensitive customers **B1**

Answer: A grab-and-go layout and a pre-order app save customers time and make purchasing easier. This convenience can increase turnover and frequency of visits at busy times, raising revenue while keeping costs low, so perceived value rises without large price increases.

Question 8

method: branding/presentation or higher quality ingredients or craftsmanship **B1**

reason: customers perceive it as higher quality, authentic or special and are willing to pay more **B1**

Answer: Method: branding and better presentation or use of higher quality ingredients. Reason: customers see it as higher quality or more authentic and will pay more for that perceived difference.

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Question 9

Level 1 Makes simple or one-sided comments about one method with limited use of the Oak & Bean context and little or no justification. **1-3**

Level 2 Provides a developed argument for one method, using some contextual evidence from Oak & Bean and considering at least one alternative, but the evaluation is not fully balanced or the recommendation is not strongly justified. **4-6**

Level 3 Weighs the likely benefits and drawbacks of at least two methods in the Oak & Bean context, uses specific evidence from the case, analyses impact on customer perception and business outcomes, and reaches a clear, justified recommendation. **7-9**

Indicative content:

- Consider improving product quality: Oak & Bean already sells artisan coffee; further quality improvements (rare beans, barista training) could strengthen premium image, justify higher prices and deepen customer loyalty, but may raise costs and risk alienating customers if prices rise too much.
- Consider improving customer service: attentive table service and knowledgeable staff are already part of Oak & Bean, but further staff training or personalised service could enhance the experience and encourage repeat visits, with relatively modest increases in cost compared to product sourcing.
- Consider strengthening branding: clearer visual identity, storytelling about origin, and marketing of the loyalty app could solidify recognition, increase perceived value and make price premiums more acceptable, but branding changes take time to influence customer behaviour.
- Consider increasing convenience: adding quicker ordering or click-and-collect could attract customers who value speed, but this may shift Oak & Bean away from its relaxed premium experience, risking dilution of the brand proposition.
- Comparative analysis: weigh marginal revenue from higher prices, impact on repeat visits and reviews, and cost implications for each method. For example, product quality improvements may give the strongest direct justification for higher prices, while service improvements may give the best return in loyalty per pound spent on training.
- Judgement: a supported recommendation might prioritise strengthening branding combined with targeted customer service enhancements, because branding leverages existing artisan quality and a loyalty app to increase perceived value without large ongoing costs, while service improvements deliver tangible repeat-purchase benefits. Alternatively, if Oak & Bean's main competitor is undercutting on price, focusing on product quality could be justified to maintain a clear premium niche.

Question 10

Level 1 Makes simple, one-sided points with limited use of the concept of adding value and limited application to the shop. **1-3**

Level 2 Provides a developed analysis that applies the concept of added value to the shop's decision and reaches a supported view on the likely effect on sales and profit. **4-6**

Indicative content:

- Without adding any value, customers are being asked to pay more for exactly the same product, which is likely to be seen as poor value for money.
- Some loyal customers may still buy through habit or convenience, but many are likely to compare the new price with competitors offering similar notebooks and switch.
- A fall in the number of notebooks sold could offset or outweigh the higher price per unit, so total revenue and profit may not rise as hoped, and could fall.
- If competitors have not raised their prices, the shop's relative value for money worsens further, increasing the risk of losing customers to them.
- Contrast: had the shop added genuine value first, for example through better design, branding or service, a similar price rise might have been accepted because customers would perceive they were getting something extra for it.
- A reasoned conclusion is likely to be that a price rise with no added value is a risky strategy that could reduce sales significantly and may not increase, or could even reduce, overall profit.

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