1.13 Reasons Why New Businesses Fail: 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 or two sentences unless longer is asked for. Show simple reasoning briefly where asked. Each question is self-contained and includes the case details needed.

1 Case study A: The Bean & Byte cafe was a small independent cafe in a busy Sheffield high street. It opened with limited experience in running a food business, a modest £3,000 of start-up capital, and no formal market research. After nine months it closed. Which one of the following is most likely to have been a cause of The Bean & Byte cafe's failure?

- ☐ A) Strong market research before opening
- ☐ B) Having too much start-up finance
- ☐ C) Lack of experience in running a cafe
- ☐ D) Low competition on the high street

(Total for Question 1 is 1 mark)

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2 State one common early warning sign that a small business is struggling, as seen in failing start-ups in the UK high street sector.

(Total for Question 2 is 1 mark)

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3 Identify one way strong competition might cause GreenGadgets Ltd to fail after launch.

(Total for Question 3 is 1 mark)

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4 State one way poor location choice might cause The Bean & Byte cafe to fail, drawing on the idea of customer footfall.

(Total for Question 4 is 1 mark)

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5 Identify one immediate action a founder could take if their start-up shows the warning sign of falling sales, to try to avoid failure.

(Total for Question 5 is 1 mark)

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6 Explain why insufficient start-up finance might cause a small cafe like The Bean & Byte to fail. Use the case details where helpful.

(Total for Question 6 is 4 marks)

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Mark scheme · 1.13 Reasons Why New Businesses Fail: 10-minute Pack

Question 1

C cao **B1**

Answer: C

Question 2

falling sales or falling customer numbers **B1**

Answer: Falling sales or a decline in customer numbers.

Question 3

competitors offering a similar product at a lower price or with better features reduces GreenGadgets' sales **B1**

Answer: Competitors offering better or cheaper alternatives can steal customers and reduce GreenGadgets' sales.

Question 4

low footfall in a poor location reduces the number of passing customers, leading to low sales **B1**

Answer: A poor location with low footfall reduces passing customers and so lowers sales.

Question 5

reviewing and improving the product or marketing, for example carrying out quick customer research or offering promotions **B1**

Answer: Review and improve the product or marketing, for example do quick customer research or run promotions to attract customers.

Question 6

identifies a problem: not enough money to cover early losses or necessary costs, e.g. stock, rent, equipment **B1**

develops the point: the cafe had only £3,000 start-up capital so cash could run out quickly **B1**

further development: running out of cash can force the business to reduce quality or close **B1**

links to outcome: customers leave or staff cannot be paid, causing closure **B1**

Answer: Insufficient finance means the cafe may not cover early losses or essential payments like rent, stock and wages; with only £3,000 start-up capital the business could quickly run out of cash, forcing cuts to quality or closure when it cannot pay staff or suppliers.

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