Mark Scheme (Results)

Summer 2024

Pearson Edexcel GCE
In Economics B (9EB0)
Paper 1: Markets and how they work

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk
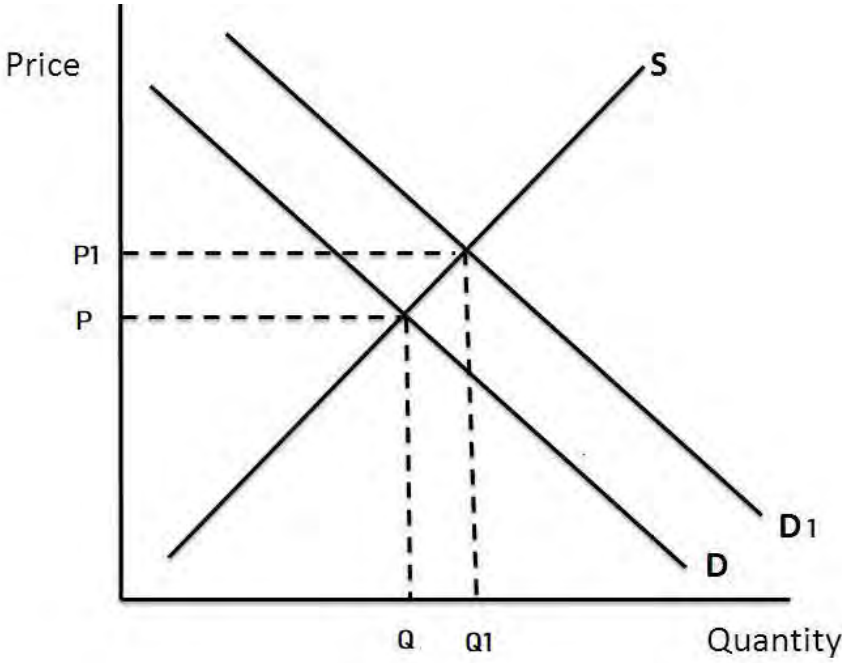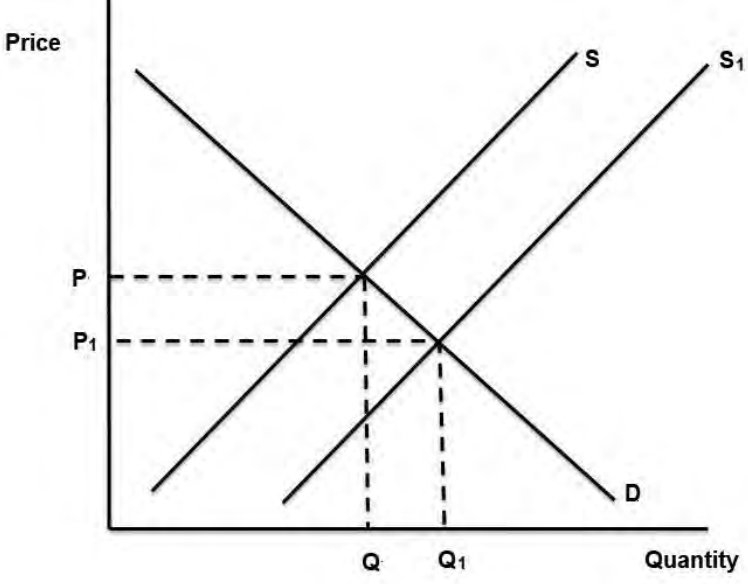
General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Explain one reason why an increase in market share might be an important business objective for *TUI*.	Mark
1(a)	Knowledge/Understanding 1, Application 2 Analysis 1 Knowledge/Understanding: up to 1 mark for explaining a reason e.g. • It can gain economies of scale (1) Application: up to 2 marks are available for contextualised answers, e.g. • *TUI* can spread its fixed costs over more passengers (1) • *TUI* has lost market share to *Jet2holidays* and wants to be market leader (1) Analysis: Up to 1 mark available for developing the reason. • Reducing average costs could allow *TUI* to lower prices thereby gaining a competitive advantage over its rivals (1)	(4)

Question Number	Using a supply and demand diagram, illustrate the impact on the market for global travel after travel restrictions have been removed for consumers.	Mark
		2
1(b)	Knowledge/Understanding 2, Application 1, Analysis 1	
	Knowledge/Understanding: up to 2 marks for: constructing supply and demand curves correctly and for labelling the axes with price and quantity (1) correctly showing original equilibrium price and quantity P and Q (1)	
	Application: 1 mark for correctly interpreting the shift in the demand curve to the right (1)	
	Analysis: 1 mark is available for showing the new equilibrium and the consequences on the price and quantity axes P1 and Q1 (1)	
		(4)

Question Number	Using Extract B, calculate to two decimal places, the operating profit margin for *TUI* in Q3 2023. You are advised to show your working.	Mark
1(c)	Knowledge/Understanding 1, Application 3, Knowledge/Understanding: 1 mark for the correct formula for operating profit margin: $$\frac{\text{Operating profit}}{\text{Revenue}} \times 100 \ (1)$$ Application: Up to 3 marks for calculations $$\frac{€52.5m \quad (1)}{€5\ 286.0m \quad (1)} \quad \times 100$$ = 0.99% (1) NB if no working is shown award marks as below: If the answer given is 0.99% award 4 marks If the answer given is 0.99 award 3 marks	(4)

Question Number	Using a supply and demand diagram, analyse the likely impact on the market for air travel of improvements in aircraft technology.	Mark
		4
1(d)	Knowledge/Understanding 2, Application 2, Analysis 2 Knowledge/Understanding: up to 2 marks for: constructing supply and demand curves correctly and for labelling the axes with price and quantity (1) correctly showing original equilibrium price and quantity P and Q (1) Application: up to 2 marks for contextualised answers e.g. For correctly showing the shift in the supply curve to the right (1) More fuel-efficient aircraft may reduce operating costs for airlines (1) Analysis: up to 2 marks e.g. For showing new equilibrium and consequences on the quantity and price axes, P1 and Q1 (1) Lower operating costs may result in lower prices for airline tickets for customers (1) NB maximum of 4 marks for diagram only	(6)

Question Number	Discuss the likely impact on *TUI***'s break**-even level of output from the wildfires in Rhodes.	Mark
	Indicative content	5
1(e)	Knowledge/Understanding 2, Application 2, Analysis 2, Evaluation 2	
	- Break-even is when TR=TC - There would be a negative impact on *TUI*'s break-even level of output due to a shift in demand patterns for this holiday destination - If the wildfires lead to reduced demand for travel packages and accommodations in Rhodes, *TUI*'s overall revenue might decline or prices might have to be reduced for future holidays - This would likely increase the break-even level of output as *TUI* would need to generate more revenue from its remaining operations to cover its fixed costs - As a result, *TUI* might have to operate at a higher output level to reach the break-even point, which could put pressure on its profitability and operational efficiency *TUI* would need to sell more holidays to cover its fixed costs since each unit contributes less revenue - Operational disruptions caused by the wildfires resulted in €25m additional costs for rearranging travel plans, rebooking customers and providing alternative services - These extra fixed and variable costs would contribute to a higher break-even level of output for *TUI* - However, the number of passengers affected by the wildfires represents for a very small percentage of *TUI*'s overall revenue - Travellers to Rhodes only accounts for 5% of *TUI*'s overall programme with only 8,000 or 20% of the holiday makers on Rhodes affected by the wildfires *TUI*'s expects a 6% increase in bookings so this could help to mitigate the loss of revenue from the wildfires - The actual impact would depend on *TUI*'s ability to manage costs and the effectiveness of its strategies to restore customer confidence and demand	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are developed. Judgements may be attempted.
Level 3	6–8	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments.

Demonstrating application (AO2) in responses
Where questions specifically stipulate the use of data or information provided in a stimulus, students:
- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:
- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulas.

Question Number	Assess the possible benefits of market mapping for *TUI*. Indicative content	Mark
1(f)	Knowledge/Understanding 2, Application 2, Analysis 3, Evaluation 3 • Market mapping can help *TUI* identify gaps in the market where customer needs are not being met and could be potentially filled by them • This could help *TUI* to develop new travel products or services that meet these needs or to improve its existing travel offerings to better compete against *Jet2holidays* • Market mapping can provide insights into the preferences and behaviours of customers in different segments of the travel market • This can help *TUI* to develop more effective marketing and sales strategies by targeting specific customer segments such as energised adventurers and travelistas • *TUI* can identify the prices of different travel products or services offered by competitors such as *Jet2holidays* • It could see where it can differentiate itself based on pricing for higher growth segments of the leisure market, such as accommodation-only, flight-only, car hire and tours and experiences • However, market mapping can be overly simplistic and not provide a comprehensive understanding of the travel market • They often rely on limited variables, such as price or product features, and may not consider complex factors such as cultural differences, social trends or political factors that may impact the travel industry • Market mapping may not accurately reflect the current market reality, leading to poor decision-making • Factors such as changing consumer travel preferences or unexpected events such as a global health crisis can disrupt the market and render market mapping obsolete • Market mapping tends to focus on the existing market rather than considering potential new markets or emerging trends • This could limit *TUI*'s ability to identify new travel opportunities or understand how the travel market may change in the future • *TUI* must ensure that they are used in conjunction with other sources of information and analysis to make informed decisions	(10)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–4	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	5-7	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, well developed with arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	8-10	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the contect/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Using Extract D, assess the possible impact on holiday firms such as *TUI* of changes in UK interest rates. **Indicative content**	Mark 9
1(g)	Knowledge/Understanding 2, Application 2, Analysis 4, Evaluation 4 - UK base rates have steadily increased from a low of 0.25% in January 2022 to 5.25% in August 2023 - Higher interest rates may lead to increased borrowing costs for holiday firms, particularly those with high levels of debt - This could result in reduced profitability and lower investment in new travel products or services - Consumers may have less discretionary income to spend on holidays as they have to pay more for borrowing or for mortgage repayments - This could lead to a fall in demand for *TUI*'s products and services as they tend to be income elastic - An increase in interest rates could also lead to a general slowdown in the UK economy, which may lead to reduced consumer confidence and a decrease in the number of people taking holidays with *TUI* - However, increased interest rates may lead to a stronger pound, making foreign holidays cheaper for UK tourists - This may increase demand for holidays and boost sales for *TUI* - Higher interest rates can also lead to a reduction in inflation, reducing cost pressures for holiday firms when they purchase goods and services needed for their operations - An increase in interest rates can also encourage saving - This may lead to more customers having discretionary income to spend on holidays in the longer term, particularly expensive luxury holidays - The impact will depend on various factors such as the size and financial position of firms such as *TUI*, the level of competition in the travel industry and the spending behaviour of consumers	(12)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6-9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, well developed with arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10-12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus

Question Number	Assess the likely impact from the growth of the travel and tourism sector on aggregate demand (AD) in the UK. Indicative content	Mark
1(h)	Knowledge/Understanding 2, Application 2, Analysis 4, Evaluation 4 $AD = C+I+G+ (X-M)$ - The growth of the travel and tourism sector can lead to increased consumer spending (C) on leisure activities, accommodation, dining and entertainment - This rise in consumer expenditure will increase AD, indicating an increase in overall demand as it is set to reach 10.1% of GDP by 2032 and create 700,000 new jobs - As the travel and tourism sector expands, there is a likelihood of increased investment (I) in infrastructure, such as hotels, resorts and transportation resulting in an increase in AD - The growth of the travel and tourism sector can attract international tourists, leading to a rise in foreign exchange earnings from tourism-related activities £14.2bn was spent in London alone in 2022 with other major UK cities attracting many international visitors - This results in an increase in net exports, positively impacting the trade balance and an increase in AD - In the short term, the positive impact on aggregate demand can lead to economic growth, increased output and potentially lower unemployment, as firms within the travel and tourism sector expand their operations and hire more employees to cater for the rising demand - However, a significant portion of spending in the travel and tourism sector often goes towards imported goods and services, including foreign airlines, accommodation and imported food products - This leakage can reduce the overall multiplier effect on the UK economy - The impact on AD will depend on whether the increased spending on travel and tourism is from savings or from reduced spending on other big ticket items such as cars and home improvements - The travel and tourism sector is particularly susceptible to external shocks, such as natural disasters or global health crises resulting a decline is AD	(12)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6-9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, well developed with arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10-12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Evaluate the effectiveness of indirect taxation on demerit goods to reduce childhood obesity in the UK. Indicative content	Mark
2	Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6 • Unhealthy food is an example of a demerit good because the price of unhealthy food fails to take into account the cost of poor health to the individual and the costs to others in society • Indirect taxation of demerit goods such as sugary drinks increases the price of these products making them less affordable for consumers • It may discourage consumers, particularly children, from consuming these products, leading to a reduction in childhood obesity • Revenue generated from this tax can be used to fund public health initiatives, such as healthy eating campaigns and physical activity programmes, which can further reduce childhood obesity rates • Indirect taxation can also encourage producers to reformulate their products to reduce the sugar content, as they aim to avoid the tax • This could lead to the development of healthier products, making it easier for consumers to choose healthier options • The tax can also help to raise public awareness of the negative health consequences associated with consuming high amounts of sugary drinks which might lead to a cultural shift towards healthier eating habits • However, indirect taxation is regressive affecting low-income consumers disproportionately. It may be seen as unfair and unpopular among some groups in society • It may not be effective in reducing childhood obesity among higher-income groups who can still afford to buy these products despite the tax • The effectiveness of the tax depends on the PED for the targeted products. If the demand for these products is price inelastic, the tax may not have a significant impact on reducing consumption and childhood obesity rates • Other policies such as provision of information about healthy eating or the proposed banning of advertising unhealthy foods before 9pm might be more effective in reducing demand • The government should use a range of measures to effectively tackle childhood obesity	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted, but fail to connect causes and consequences. Limited attempt to address the question.
Level 2	5–9	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic.
Level 3	10–15	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well developed and partially evaluated. An awareness of the significance of competing arguments is present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments.
Level 4	16–20	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

Question Number	Evaluate the extent to which the use of technology might increase productivity for a firm. Indicative content	Mark
3	Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6 - Productivity measures how efficiently resources are used to make goods and services - Technology can automate routine and repetitive tasks that were previously time-consuming for employees. This allows human resources to be redirected towards more complex and value-added activities, improving overall efficiency and productivity - For example, robots in manufacturing can assemble products with precision and speed, reducing the need for manual labour and improving overall efficiency - Greater efficiency could be achieved using ChatGPT which has been found to help coders work at twice their previous speed, halve the time taken to complete certain writing tasks and make call centres 14% more productive - AI technology can improve supply chain processes from demand forecasting to stock management and logistics. This results in reduced costs, minimised wastage and improved overall efficiency - However, the successful integration of technology requires significant investments in terms of capital, training and maintenance which could increase average costs in the short term - There could be challenges related to job displacement with as many as 300 million full-time workers losing jobs and being replaced by AI technology - When introducing new technologies, there is a learning curve for employees to understand and adapt to the change which could result in a decrease in productivity due to errors, inefficiencies and reduced output - There might be a shortage of people with the necessary expertise needed to manage new technology potentially hindering efficient operations - There are alternative ways to increase productivity for firms such as improving human capital and the quality of management - It will depend on the type and nature of the industry as to whether technology can improve productivity for a firm	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted, but fail to connect causes and consequences. Limited attempt to address the question.
Level 2	5–9	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic.
Level 3	10–15	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well developed and partially evaluated. An awareness of the significance of competing arguments is present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments.
Level 4	16–20	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.