

GCSE Business Studies

8 Mark Question – Tips

In 2011 *Dell* increased the price of its range of laptop and notebook computers.

*(c) Assess the impacts of this price increase on *Dell's* ability to improve its profits.

(8)

8 Mark Question – Assessing a situation

QUESTION:

Assess the impacts of this price increase on *Dell's* ability to improve its profits (8)

TIP:

- There is a chance that they may ask you to assess *two* points
- For **eight** marks you must *assess* whether the price increase will be successful.
- Candidate will consider different factors with development/support, which includes at least **two** reasons/causes/consequences
- The answer **must be** rooted in the context of *Dell* (computer industry) to secure all **eight** marks.
- It is asking you to assess so you will need balance in the answer. You will achieve this by suggesting *advantages* and *disadvantages* of the price increase
- The answer needs an overall conclusion at the end
- To get maximum marks you should use the '**it depends**' rule
- You can only get maximum marks if the written communication is a high standard (spelling, grammar and punctuation)
- **Remember the 3 x Cs (context, counterbalance, conclusion)**

POSSIBLE ANSWERS: (advantages of price increase)

- Will increase the profit per computer.
- *Dell* has a strong brand name so can add value.
- Are competitors also increasing their prices?
- Contribution per unit will increase.

POSSIBLE ANSWERS: (disadvantages of price increase – counter balance)

- Depends on how consumers react to the price increase.
- Demand could fall by a significant amount.
- Loss of market share to rivals such as *Hewlett Packard*.
- All computer manufacturers may be forced to do this, so no effect on *Dell's* ability to improve its profits.
- Depends on how much the price has increased by.
- Price may not be an important element in a consumer's decision to buy a *Dell* computer.

8 MARK EXAMPLE ANSWER

"By *Dell* increasing their prices of this will increase the revenue for the business (**point**) as a result this will increase the profit per unit (**development**). Other competitors such as *Hewlett Packard* (**context**) may also be putting their prices this gives *Dell* an opportunity to do the same and increase sales (**point**) this will give them a strong brand name as the high price is often linked to high quality (**development**). However, it depends on how much *Del* increase their prices by (**point**). The computer industry is extremely competitive (**context**). this could lead to a fall in demand for *Dell* products (**development**). As a result, *Dell* could lose market share to *Hewlett Packard* (**context/development**).

To conclude, I think that increases prices will increase profit of the business as long as they price increase reflects competitor's prices (**conclusion**)."