**Graded Unit 1 - Marking Exercise Question 1 Answers**

1. Analyse the main factors that are likely to affect the demand for bus and train transport in the UK. **8 marks**

**Answer 1**

Demand is the amount of money spent on a good. The trains are not good and I don’t find them reliable so I don’t use them much. Buses are not much better but at least they are a bit cheaper than the train. I think that you would go on the bus if your car broke down, but not if you lived in a small village as there aren’t very many. As for the train when I do use them I like first class but it is expensive and they are always late.

**Reason for the mark:** **Total mark**

**Answer 2**

There are many factors that affect demand and these include:

* Price of a ticket
* Income
* Convenience
* Cost of alternatives
* Environmental concerns
* Government policy
* Oil prices

These are the factors that will affect whether you go on trains and buses.

**Reason for the mark:** **Total mark**

**Answer 3**

There are many factors that could affect the demand for bus and train transport in the UK. Much will depend on the price of tickets; if they are expensive this will tend to reduce demand as people will use cars or other means of transport. If they were cheaper then much would depend on how convenient trains and buses are, because they run to timetables that may not suit people. They also ru along fixed routes and may not get people where they wish to go in one direct journey and demand will therefore be limited.

Cars are more convenient and if there are one than one person in the vehicle then the cost per head is reduced whilst of a bus or train two people equals two fairs. Families are likely therefore to find a car cheaper. If oil prices rise rail and bus may become a cheaper option and demand may increase. If the government decides to increase motoring taxes then this also may take people out of cars and into buses and trains. If we are wealthier we will tend to use the car, as buses can take so long to get anywhere and a car is so much more convenient. For business travellers a train can be good because you can work on a train but it will depend on having Internet etc on the train in which case demand will be increased. If the buses and trains are old and unreliable then demand is likely to suffer because of this.

**Reason for the mark:** **Total mark**

**Graded Unit 1 - Marking Exercise Question 2 Answers**

1. Part of its marketing strategy to reach new customers has been to acquire existing firms overseas. Evaluate the special risks that pertain to expansion into overseas markets? **6 marks**

**Answer 1**

This has been a big advantage for Stagecoach as it has allowed the company to expand rapidly into new markets. The existing firms are often well known and respected and will already have a loyal customer base. It is a far faster means of growth than organic growth. The company has a huge advantage as the local firms know the culture, laws and business practices in their market. If they keep the existing name Stagecoach may well retain all of the existing customers.

**Reason for the mark:**  **Total mark**

**Answer 2**

Whilst there are many advantages in taking over existing firms overseas, such a strategy also comes with a set of particular risks. The firm may be viewed as no longer being ‘local’ and this may alienate some of its existing customer base causing a decline in sales. This may be temporary or not. If it is not then the risk is that Stagecoach may have invested heavily in a business that could be worth less than they paid for it.

It is always a risk that Stagecoach may have wrongly assessed the value of the overseas firm that operates in a different context from its domestic business. Stagecoach will not be so familiar with the overseas market in which the firm they are buying operates compared to the domestic market, meaning a greater risk being taken. They may not have undertaken appropriate market research and may not understand how the foreign company operates which adds to the risks associated with buying a company.

It is also often difficult to assess precisely the financial status of a firm that is being bought, and this is complicated by there being a different currency and a different set of economic circumstances in the overseas market. There is also the political dimension that a government may set exchange rate rules and bar the repatriation of profits. In addition the government can adversely alter taxes affecting profits and operating costs. In extreme cases a foreign government may take over foreign owned firms without compensation.

**Reason for the mark:**  **Total mark**