



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2011

GCE Applied Business

Assessment Unit AS 3

assessing

External Influences on the Business Enterprise

[A3B31]

MONDAY 16 MAY, AFTERNOON

**MARK
SCHEME**

1 Referring to the case study, name and define the market sector that Post Office® Ltd mainly operates in.

The Post Office® Ltd mainly operates in the tertiary sector of the economy this is often referred to as the service sector and typically includes the provision of services to business and the final consumer. Examples: selling stamps, collecting their benefits, personal banking, National Lottery and paying their utility bills.

Marking: [2] for identification; [2] for application; (2 × [2]) [4]

4

2 Explain four effects which resulted from the removal of Royal Mail’s monopoly.

- It can be argued that The Post Office® Ltd are able to exploit economies of scale.
- Provides consumers with greater choice of postal services (use PO or alternative courier services).
- Prevents exploitation of consumers, secures a degree of consumer protection (whether using PO or courier services).
- Increases revenues for government from the industry sector – taxable profits generated by competitors in the industry (PO/couriers etc).
- Ensures more effective competition in global marketplace for postal services (foreign national PO’s/couriers).
- Encourages Royal Mail and partners (PO) to become more efficient.
- Price Competition – Competitors offer cheaper services.
- Increased Regulation in industry. (Postcomm)

Marking: [1] for identification; [1] for explanation; [1] for application; (4 × [3]) [12]

12

3 Analyse four government policies which affect Post Office® Ltd

- Monetary Policy is concerned with controlling the supply of money in the economy and controlling the cost and availability of credit, e.g. Credit Cards/Savings.
- Fiscal Policy is the use of government spending, taxation and borrowing to influence the level of aggregate demand in the economy. The government can try to influence this level through directly altering tax rates and the amount it spends on services, e.g. government policy; benefits.
- Supply Side Policy is to shift the aggregate supply curve to the right, allowing the economy to enjoy higher levels of employment and economic growth without any increase in the inflation rate, e.g. loss of jobs.
- Regional Policy is to distribute funds from the high performance parts of the UK to the poorly-performing regions. Regional policy is administrated through regional development agencies such as Invest Northern Ireland, and generally entails the provision of investment grants for firms in Assisted Areas, e.g. closure of PO Branches.

Marking: [1] for identification; [1] for analysis; [1] for application; (4 × [3]) [12]

12

- 4 Analyse **four** ways in which globalisation might affect an organisation such as Post Office® Ltd.

Globalisation in an organisation such as The Post Office® Ltd is a process of interaction and integration among the people, companies, and governments of different nations, aided by information technology.

Examples:

- Greater Choice of products/services.
The Post Office® Ltd offer many services online including mail services, personal banking, National Lottery, mobile phone E-Top-Up, insurance and foreign currency. Stamps can today be personalised and bought through the Internet.
- Post Office® Ltd Financial Services, a joint venture with Bank of Ireland, customers will have bank cards, credit cards and these can be used in other countries. In 2008 one in every twenty-five credit cards were issued from Post Office® Ltd.
- The Post Office® Ltd offer a home telephone service in direct competition with BT, customers can talk to anyone in the world.
- Post Office® Ltd has now decided to diversify by entering the increasingly competitive broadband market.
- Access to global/worldwide market.
- Greater competition/efficiency and quality of services.
- Additional costs.
- Enhanced global image.

Marking: [1] for identification; [1] for analysis; [1] for application; (4 × [3])
[12]

12

- 5 Identify **four** pricing strategies and analyse the extent to which each one applies to the Post Office® Ltd.

The pricing strategies in which The Post Office® Ltd could use are:

- **Destroyer/Predatory pricing** – This is when The Post Office® Ltd sells its products at a very low price with the intention of driving competitors out of the market. However, in the short run the firm may lose money as a result of this strategy, and if competition is not as predicted The Post Office® Ltd engaging in this strategy may itself be forced out of the market.
- **Competitive pricing** – The price is set at a rate which makes the goods appear competitive but at the same time does not have a detrimental impact on the image of the product. For example, savings and insurance. The problem with this as a strategy for dealing with competition is that it could lead to a price war, which can be both risky and expensive for The Post Office® Ltd.
- **Penetration pricing** – Penetration pricing is only useful for goods which generate repeat purchases. This is a very effective way of maximising sales and works best when demand is price elastic. However, the low initial price associated with penetration pricing may be damaging to a product's reputation and may simply attract bargain hunters who will switch to another product whenever prices increase.

- **Psychological Pricing** – A product sold at a price designed to convince the consumer that the product is cheaper than it really is. For example, when a product is sold at £39.99 consumers tend to ignore the 99p and believe that the product is closer to £39 than £40.
- **Skimming/creaming pricing** – The price of the product is set high initially to target those consumers who are likely to be willing to pay the higher price. Skimming can be a very effective way of increasing sales revenue, but it will only be successful if the demand for the product is inelastic. Using a price-skimming strategy is also likely to draw competitors into the industry as they will be attracted by the high profit margins available. For example, communications.
- **Cost-plus pricing** – The Post Office® Ltd calculates the average cost of producing a good or service and then adds a percentage profit or mark-up to calculate the selling price. The problem with this strategy is that it takes no account of demand.
- Price Wars.

Level 1 ([1]–[5])

Some knowledge and understanding of the pricing strategies are analysed and some application in the context of The Post Office® Ltd. One pricing strategy is properly explained. There is little attempt to analyse or evaluate the pricing strategy. Quality of written communication is limited.

Level 2([6]–[15])

Adequate knowledge and understanding of the pricing strategies are analysed and there is reasonable attempt to apply these to the context of The Post Office® Ltd. Up to three pricing strategies are properly explained. Some attempt is made to analyse the pricing strategies. Quality of written communication is satisfactory.

Level 3 ([16]–[20])

Good knowledge and understanding of the pricing strategies are analysed and there is reasonable attempt to apply these to the context of The Post Office® Ltd. Four pricing strategies are properly explained. The pricing strategies are thoroughly analysed. Quality of written communication is of a high standard. [20]

20

6 Evaluate the impact of the closure of rural post offices on **five** stakeholder groups.

- **Employees/Managers** – The managers of The Post Office® Ltd will also have an interest in the closure of the Post Office branches since their jobs and salaries depend on the business surviving. Employees are stakeholders since their wages depend on the The Post Office® Ltd remaining in business. If The Post Office® Ltd is not a success then the employees may find themselves unemployed as the Post Office sheds employees to reduce costs size of PO Branch network.

- **Customers** – The Post Office® Ltd customers have a stake in the business since they will be interested in the price of the products/ services, the quality of the products/services and the standard of service received. For example government services, banking, savings and investments, retail, they will be inconvenienced by the closure of rural PO Branches.
- **Suppliers** – Those who supply The Post Office® Ltd with materials for example stationery, gifts, communication will also have an interest in its performance. If The Post Office® Ltd reduces the size of the PO Branch network, they are likely to get less orders or business as a result.
- **Local community** – The local community is another stakeholder since they will have concerns about the impact The Post Office® Ltd has on the local environment. They will be concerned about the level of employment in the area and the degree to which The Post Office® Ltd engages with social projects in the surrounding areas.
- **Government** – The government has an interest in the profitability of The Post Office® Ltd since the more profitable the Post Office is, the more it will pay the government in corporation tax. The Post Office® Ltd also contribute to the public purse through VAT and employers’ National Insurance Contributions.
- Shareholders.
- Lenders.
- Creditors.
- Pressure Groups.

Final Judgement: Closure of rural P.O.’s likely to have a negative impact on stakeholder groups.

Level 1 ([1]–[4])

Some knowledge and understanding of stakeholders are evaluated and some application in the context of The Post Office® Ltd. One stakeholder is properly explained. There is little attempt to analyse or evaluate the stakeholder. Quality of written communication is limited.

Level 2 ([5]–[12])

Adequate knowledge and understanding of stakeholders are evaluated and there is reasonable attempt to apply these to the context of The Post Office® Ltd. Up to three stakeholders are properly explained. Some attempt is made to analyse or evaluate the stakeholders. Quality of written communication is satisfactory.

Level 3 ([13]–[20])

Good knowledge and understanding of stakeholders are evaluated and there is reasonable attempt to apply these to the context of The Post Office® Ltd. Four to five stakeholders are properly explained. The stakeholders are thoroughly analysed and there is comprehensive and perceptive evaluation of the stakeholders. Quality of written communication is of a high standard. Maximum 18 marks if no final judgement is present. [20]

20

Total

80