

Applied Business

Advanced GCE

Unit **F248**: Strategic Decision Making

Mark Scheme for June 2012

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, OCR Nationals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.














© OCR 2012

Any enquiries about publications should be addressed to:

OCR Publications
PO Box 5050
Annesley
NOTTINGHAM
NG15 0DL

Telephone: 0870 770 6622
Facsimile: 01223 552610
E-mail: publications@ocr.org.uk

Annotations

Annotation	Meaning
	The response given is 'Unclear' to the marker.
	'Benefit of doubt' – but credit given.
	To indicate the response is in 'Context' of the relevant case study.
	Response is incorrect, no credit can be given.
	Use for Level of response answers to indicate Level 1.
	Use for Level of response answers to indicate Level 2.
	Use for Level of response answers to indicate Level 3.
	Use for Level of response answers to indicate Level 4.
	The response is not incorrect but has 'Not answered question.'
	Own figure rule. Use where indicated in the mark scheme.
	'Repeat' Response repeats the same marking point where credit has already been given.
	'Noted but no credit given' or to indicate all or part blank answer pages have been seen by the marker.
	Correct point/answer. Credit can be given.

Subject-specific Marking Instructions**Testing of QWC**

In this external assessment the assessment of QWC will take place in Question 3b which is a levels of response question and carries 14 marks.

Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 3b.

Level 4:

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

[4 marks representing the appropriate level of written communication are embedded in this level of response].

Level 3:

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

[3 marks representing the appropriate level of written communication are embedded in this level of response]

Level 2:

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.

[2 marks representing the appropriate level of written communication are embedded in this level of response]

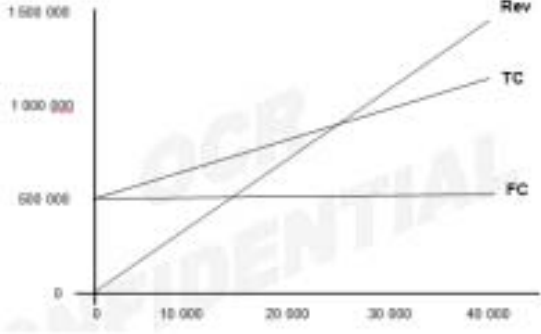
Level 1:

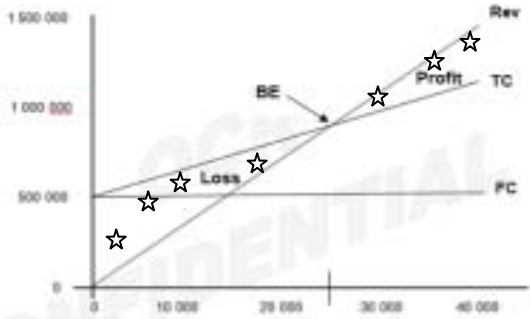
Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

[1 mark representing the appropriate level of written communication is embedded in this level of response]

Question		Answer	Mark	Guidance
1	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • days/amount of time/how long • absent/sick/off/authorised leave • proportion of total working time/days. <p>Exemplar responses: Eg The number of days (1) of unauthorised leave (1) in relation to the total number of days workers are expected to work (1).</p> <p>Eg Absenteeism is concerned with people not turning up for work (1).</p> <p>Eg Days (1) absent (1) as a proportion of total working time (1).</p>	3	<p>Up to three marks.</p> <p>AO1 3</p> <p>NB This question is about absenteeism rate <u>not</u> absenteeism level.</p> <p>Award references to percentage/fraction/ratio/in relation to/ compared with/in comparison to - for proportion to baseline. Do not award 'divided' by.</p> <p>Do not award for formula.</p> <p>No context required.</p> <p>Watch out for common wrong answers eg number of staff (0) absent (1).</p>
1	(b)	$\frac{37,500}{35} (1) = 1071.428 = \mathbf{1071}$ <p>Eg 1071 (2)</p> <p>Eg 1071.43 (2)</p> <p>Eg $\frac{37500}{35} (1)$</p>	2	<p>Up to two marks.</p> <p>AO1 1 AO2 1</p> <p>1071 (irrespective of decimal places) = 2 marks.</p> <p>1072 = 1 mark (max).</p> <p>No marks for formula.</p> <p>No workings required.</p>

Question		Answer	Mark	Guidance
1	(c)	<p>Indicative content:</p> <ul style="list-style-type: none"> • to monitor progress • to clarify purpose/thinking/priorities • to plan/aid decision-making • to measure success • to highlight areas of weakness • to provide direction/something to work towards • unity/common purpose • to keep control • allow objectives/targets to be set • to motivate staff • communicate with internal stakeholders • minimise conflict. <p>Exemplar responses: Eg Rachel can motivate her workforce by setting goals (1). This should cause them to work harder and increase output (1).</p> <p>Eg Actual performance can be compared with the goals set (1) so that action can be taken to improve future performance, if necessary (1).</p>	4	<p>AO1 2 AO2 2</p> <p>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</p> <p>Must be benefits not statements. Eg Do not award 'to set objectives' unless the benefit of this is clearly stated.</p> <p>Do not award communication with external stakeholders – this is the purpose of a mission statement.</p> <p>Do not award examples.</p> <p>No context required.</p>

Question	Answer	Mark	Guidance
2 (a) (i)	<p>1 mark for any horizontal line labelled fixed cost/FC. 1 mark for any upward sloping line which begins at fixed cost level labelled total cost/TC. 1 mark for any upward sloping diagonal line which goes through the origin labelled sales revenue/revenue/turnover/sales/total revenue/TR/SR.</p> <p>1 mark for correctly drawn fixed cost line. 1 mark for correctly drawn total cost line. 1 mark for correctly drawn revenue line.</p> <p>See overlay for correct line positions.</p> 	6	<p>Up to six marks.</p> <p>AO1 3 AO2 3</p> <p>See overlay for lines, this can be turned on and off using the toggle button.</p> <p>3 marks for labels – FC, TC, TR 3 marks for correct lines – FC,TC, TR</p> <p>Mark the three labels first then turn on the overlay for accuracy of lines.</p> <p>Allow a maximum tolerance of plus or minus two small squares on the grid.</p>

Question	Answer	Mark	Guidance
<p>2 (a) (ii)</p>	<p>1 mark for correctly labelled intersection of Revenue and TC lines. (OFR applies) 1 mark for loss area labelled. (OFR applies) 1 area for profit area labelled. (OFR applies)</p> 	<p>3</p>	<p>Up to three marks.</p> <p>Indicated profit and loss areas must relate to the area between Rev and TC.</p> <p>AO1 1 AO2 2</p> <p>Do not award identification of breakeven point without a label.</p>
<p>2 (b)</p>	<p>Either Revenue = £1,330,000 (1) Cost = £1,070,000 (1) Calculation: £1,330,000 - £1,070,000 (1) Profit = £260,000 (1)</p> <p>Or MOS = 13000 (1) Contribution = £20 (1) Calculation: 13000 x £20 (1) Profit = £260,000 (1)</p> <p>Eg £260,000 (4)</p> <p>Eg £1,330,000 - £1,070,000 (3)</p> <p>Eg £1,070,000 - £1,330,000 (2)</p>	<p>4</p>	<p>Up to four marks.</p> <p>AO1 1 AO2 3</p> <p>£260,000 = full marks</p> <p>No workings required.</p> <p>Workings should only be marked if the final answer is incorrect.</p> <p>No marks for formula.</p> <p>No OFR.</p> <p>If more than one method used, mark best method.</p>

Question		Answer	Mark	Guidance
2	(c)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • gives the output necessary to cover costs • shows margin of safety • set production/sales targets • shows profit or loss • helps a firm decide selling price • can help identify FC and VC • gain finance from banks/investors • visual tool • modelling tool – what if? analysis • planning tool • motivational tool • more easily applicable to a single product line • assumes that costs can be accurately forecast • assumes that costs can be split into fixed and variable • assumes fixed costs remain constant • ignores economies of scale • assumes the same price is charged to all • assumes that everything produced is sold • ignores inflation • ignores exchange rate fluctuations • ignores other economic indicators/external factors • cannot account for the unexpected • does not take into account time scales • new analysis will be needed if the data changes • quantitative only • time to calculate costs/revenue. 	8	<p>AO1 2 AO2 2 AO3 2 AO4 2</p> <p>Level 4: [7-8 marks] Candidate evaluates the usefulness of break-even analysis specifically to <i>Fontane Ltd</i>.</p> <p>Level 3: [5-6 marks] Candidate analyses the benefits and/or drawbacks of break-even analysis to <i>Fontane Ltd</i>.</p> <p>Level 2: [3-4 marks] Candidate applies knowledge and understanding of the benefits and drawbacks of breakeven analysis to <i>Fontane Ltd</i>.</p> <p>Level 1: [1-2 marks] Candidate identifies the benefits and drawbacks of break-even analysis with no use of context.</p> <p>Non-contextual answer max Level 1.</p> <p>To award L4 a candidate must have given a justified judgement as to the usefulness of break-even analysis to <i>Fontane Ltd</i> based on previous analytical (L3) comment.</p> <p>Do not award targets unless qualified eg production or sales targets.</p>

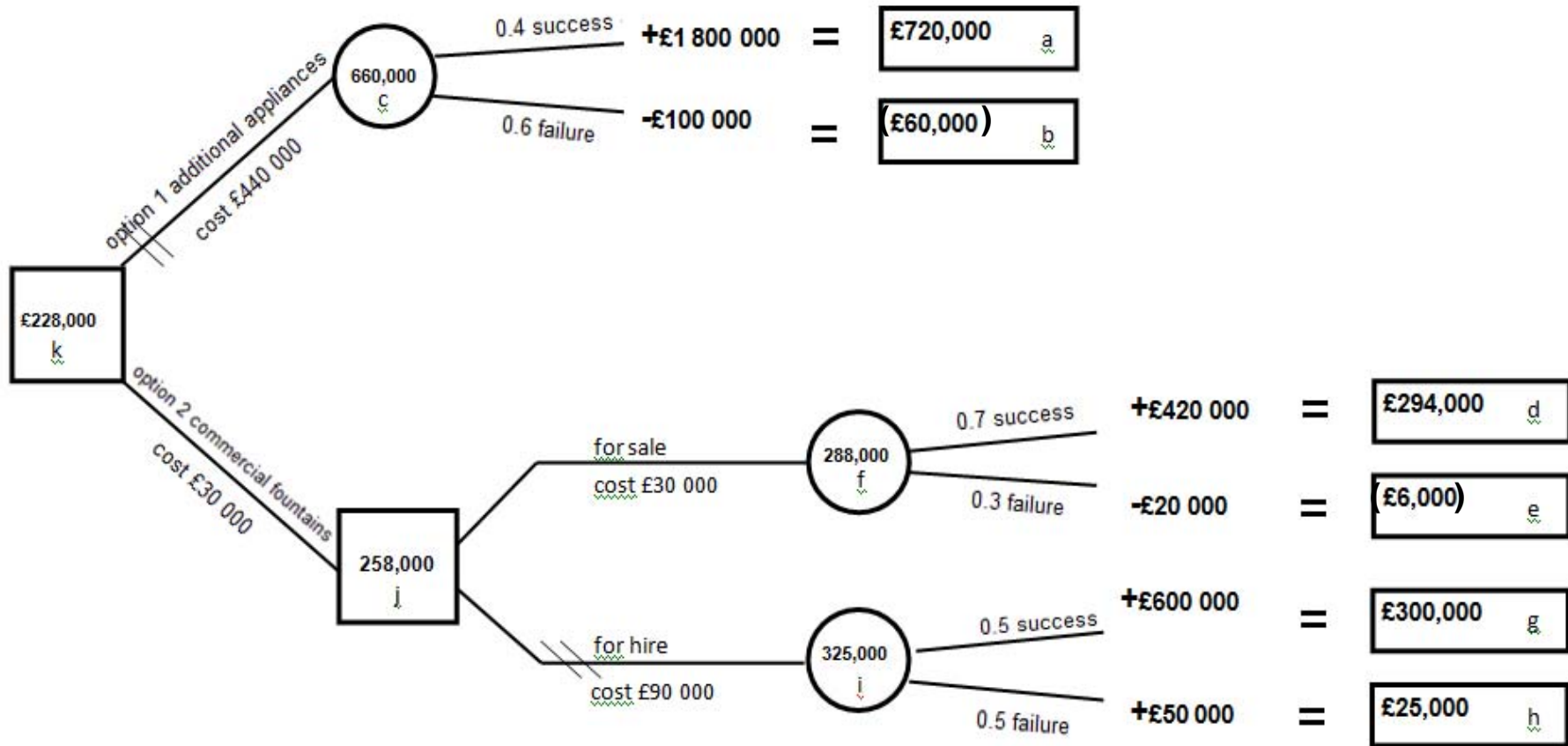
Question	Answer	Mark	Guidance
	<p>Exemplar responses:</p> <p>Eg <i>Fontane Ltd</i> can use break-even analysis to find out how many units it needs to sell to make a profit (L1).</p> <p><i>Fontane Ltd</i> can find out how many chocolate fountains (CONT) it needs to sell to cover costs (L2). These figures can then be used by the company to set targets for the workforce, increasing motivation and productivity within the factory (L3). Rachel will find break-even analysis especially useful as a target setting tool as she feels a need to be in control (CONT) and likes to constantly monitor performance (L4).</p>		<p>L4 – the evaluative comments must be in specific context, ie apply in particular to Rachel/Fontane Ltd.</p> <p>Level annotation required.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation.</p>

Question	Answer	Mark	Guidance
3 (a)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • to have an alternative plan/plan b • cope with unexpected events in an efficient manner • faster/better response • minimise risk of damage/maximise chance of survival. <p>Exemplar responses:</p> <p>Eg A contingency plan gives a business confidence that it can cope with whatever crisis happens (L1). Rachel would be less stressed knowing that <i>Fontane Ltd</i> has a plan in place if the chocolate fountain (CONT) production line breaks down (L2).</p> <p>Eg A contingency plan would allow Rachel to respond quickly to any unexpected events at <i>Fontane Ltd</i> (L1). This will minimise the risk of long term damage to the company (L1).</p>	4	<p>AO1 2 AO2 2</p> <p>Level 2: [3-4 marks] Candidate explains the benefit of having a contingency plan with specific reference to <i>Fontane Ltd's</i> operations.</p> <p>Level 1: [1-2 marks] Candidate explains the benefit of having a contingency plan with no use of context.</p> <p>Must be benefits. Do not award definitions or statements if they do not indicate the benefit.</p> <p>No matter how detailed a candidate's explanation of the benefit of having a contingency plan, if it is not applied to <i>Fontane Ltd</i> it must be awarded L1 and a maximum of two marks.</p> <p>A candidate who has explained the benefit to <i>Fontane Ltd</i> of having a contingency plan must be awarded L2 and a minimum of three marks.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Context should be annotated every time L2 is awarded with the 'CONT' annotation.</p> <p>Non-contextual answer max Level 1.</p> <p>Level annotation required.</p>

Question	Answer	Mark	Guidance
3 (b*)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • difficulty making strategic decisions • higher risk factor/lower tolerance to risk • increased uncertainty • need to be more cautious/careful/pick safer option • cost of strategic decisions/investment/change of direction difficult to predict • returns on investment difficult to predict/uncertain • breakeven analysis for strategic options unreliable • returns for ARR calculations difficult to determine • NPV discount factor difficult to set • close monitoring of exchange rates is necessary • decision tree success and failure percentages inaccurate • complexity of strategic decision, need to pay a consultant • increasingly inaccurate for long term planning • may make unwise decisions • limit strategic decision to short term • greater reliance on contingency planning in case strategic decisions fail • choose options which avoid imports/exports, operate in UK markets • quantitative tools more unreliable than normal • qualitative methods may need to be relied on more • any strategic options can be thwarted by adverse changes in exchange rates. <p>Exemplar responses:</p> <p>Eg Fluctuating exchange rates makes it more difficult to make strategic decisions (L1). It will be almost impossible</p>	14	<p>AO1 2 AO2 3 AO3 4 AO4 5</p> <p>QWC is assessed in this question.</p> <p>NB this question is about the effect of fluctuating exchange rates on strategic decision-making and not on trading.</p> <p>Responses which do not address the strategic decision-making issue should be annotated NAQ.</p> <p>Accept responses which relate to strong/weak exchange rates as long as they address the strategic decision-making issue.</p> <p>Level 4: [10-14 marks] Candidate evaluates the impact(s) of fluctuating exchange rates on <i>Fontane Ltd's</i> ability to make strategic-decisions.</p> <p>Level 3: [6-9 marks] Candidate analyses the impact(s) of fluctuating exchange rates on <i>Fontane Ltd's</i> ability to make strategic-decisions.</p> <p>Level 2: [3-5 marks] Candidate applies knowledge and understanding of impacts of fluctuating exchange rates on <i>Fontane Ltd's</i> ability to make decisions.</p> <p>Level 1: [1-2 marks] Candidate identifies impacts of fluctuating exchange rates on decision-making with no use of context.</p> <p>Non-contextual answer max Level 1.</p>

Question	Answer	Mark	Guidance
	<p>to produce a reliable breakeven chart (L2) for Options 1, 2a and 2b (CONT) because fluctuating exchange rates will require regular updates of the charts (L2). This will use up the company's time and money (L3). This is likely to have a very serious effect on the strategic decision-making of the four (CONT) shareholders, as without reliable quantitative data they may make unwise decisions based on their personal preferences (L4).</p>		<p>NB To award Level 4 the candidate must have produced some analysis (L3) and the evaluative judgement they make must match this analysis.</p> <p>L4 – the evaluative comments must be in specific context, ie apply in particular to Rachel/Fontane Ltd.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation.</p> <p>Level annotation required.</p>


Question		Answer	Mark	Guidance
4	(a)	<p>a £720,000 d £294,000 g £300,000 j £258,000 b (£60,000) e (£6,000) h £25,000 k £228,000 c £660,000 f £288,000 i £325,000</p> <p>Full marks (11) for £228,000 in k.</p> <p>Else: 1 mark for each correct response in boxes a - j (b and e are negative).</p> <p>See completed decision tree on following page.</p>	11	<p>AO1 6 AO2 5</p> <p>Up to eleven marks.</p> <p>Award full marks for £228,000 in box k (irrespective of whether other boxes are completed or correct).</p> <p>No marks for workings unless a clear indication to which node or box (a-j) the figure relates.</p> <p>No OFR.</p>



Question		Answer	Mark	Guidance
4	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> probabilities, success/failure, expected values/return impossible to estimate accurately numbers look like fact easy to bias/manipulate does not account for changes in external factors ignores time factors pseudo-scientific. <p>Exemplar responses: Eg Rachel may have manipulated the success and failure figures (1) to put the commercial fountain 'to sell' option, which she prefers, in a more favourable light, giving an inaccurate result (1).</p> <p>Eg Probabilities of success and failure are difficult to judge (1), so the wrong option could be chosen (1).</p>	4	<p>AO1 2 AO2 2</p> <p>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</p> <p>Limitation required, not just a statement about decision trees.</p> <p>Answers must be specific to decision trees. Award 'based on probabilities'. Do not award 'based on estimates'.</p> <p>No context required.</p> <p>Do not award arguments that refer to quantitative, qualitative, internal/external factors unless change is clearly indicated.</p>

Question		Answer	Mark	Guidance
5	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • only looks at speed of payback • ignores returns on investment after payback • discriminates against projects which have longer payback periods • true comparison requires projects to have similar levels of start up capital • ignores investment yield • assumes the shorter the payback period the better the investment • ignores changing value of money over time • ignores inflation/interest rates. <p>Exemplar responses: Eg A fair comparison is only possible if the options have the same start up costs (1), therefore the option with the longest payback might be overlooked (1).</p> <p>Eg Payback only looks at the time it takes for investment capital to be recouped (1). It does not calculate the level of return that the investment will earn the company (1).</p>	2	<p>AO1 1 AO2 1</p> <p>One mark for a correct identification, plus a further one mark for an explanation.</p> <p>Do not accept answers which relate to all investment appraisal techniques in general eg does not account for unforeseen circumstances (0), only as good as the figures on which it is based (0), based on estimates (0), may not match predictions (0), quantitative only (0).</p> <p>Do not award 'does not take into account external/other factors' – the figures used should take account of these.</p> <p>Do not award two disadvantages – for full marks there must be explanation.</p> <p>No context required.</p>

Question		Answer	Mark	Guidance
5	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • only looks at size of returns • ignores the timing of cash inflows • ignores the changing value of money over time • ignores inflation/interest rates • realistic comparisons need projects of similar lengths. <p>Exemplar responses:</p> <p>Eg ARR only looks at the percentage return on investment (1). It does not take into account how long it will take to repay the original investment (1).</p> <p>Eg ARR does not take into account the timing of cash-flows (1). A business could choose a project because of its high yield figure but end up in cash-flow difficulties (1).</p> <p>Eg Ignores the changing value of money (1), making the expected returns inaccurate (1).</p>	2	<p>AO1 1 AO2 1</p> <p>One mark for a correct identification plus a further one mark for an explanation.</p> <p>Do not accept answers which relate to all investment appraisal techniques in general eg does not account for unforeseen circumstances (0), only as good as the figures on which it is based (0), based on estimates (0), may not match predictions (0), quantitative only (0).</p> <p>Do not award 'does not take into account external factors' – the figures used should take account of these.</p> <p>Do not award two disadvantages – for full marks there must be explanation.</p> <p>No context required.</p>

Question		Answer	Mark	Guidance
5	(c)	<p>1. (New) Market development (1) 2. Diversification (1)</p>  <p>The diagram is a 2x2 matrix. The vertical axis is labeled 'MARKETS' with 'EXISTING' at the top and 'NEW' at the bottom. The horizontal axis is labeled 'PRODUCTS' with 'EXISTING' on the left and 'NEW' on the right. The four quadrants are: Top-Left (Existing Market, Existing Product) is 'Market penetration'; Top-Right (Existing Market, New Product) is 'New product development'; Bottom-Left (New Market, Existing Product) is '1. Market development'; Bottom-Right (New Market, New Product) is '2. Diversification'.</p>	2	<p>AO1 2</p> <p>One mark for each correct identification up to a maximum of two identifications.</p>
5	(d)	<p>Indicative content:</p> <ul style="list-style-type: none"> assesses risk can be used to avoid too much risk if risk averse considers the relationship between a business and its environment clarifies marketing strategy as appropriate to quadrant. <p>Exemplar responses: Eg Ansoff's Matrix assesses risk (1). Eg It allows <i>Fontane Ltd</i> to see which option is the least risky (1). Eg Can be used to avoid high risk options (1).</p>	1	<p>For one mark.</p> <p>AO1 1</p> <p>Must be a benefit.</p> <p>Do not award 'tells a business which quadrant an option is in' as this is a statement about Ansoff's Matrix rather than a benefit.</p> <p>Do not award answers referring to decision-making tools in general. Eg Do not accept 'helps a firm make a decision' as all tools do that.</p> <p>No context required.</p>

Question		Answer	Mark	Guidance
5	(e)	<p>Indicative content:</p> <ul style="list-style-type: none"> • does not take into account the cost of the investment • does not take into account the expected yield • does not take into account external factors • risk is dependent on more variables than market positioning • assumes lowest risk option is the best • complex projects are difficult to position within the matrix • no quantitative analysis. <p>Exemplar responses: Eg Ansoff's Matrix does not take financial factors into consideration (1). Therefore the option with least financial risk might be overlooked (1).</p> <p>Eg No numbers (1). Need to take into account quantitative factors to make a reliable strategic decision (1).</p>	2	<p>AO1 1 AO2 1</p> <p>One mark for a correct identification, plus a further one mark for an explanation.</p> <p>Do not award answers referring to decision-making tools in general. Eg Do not accept 'depends on the skills of the decision maker' as this applies to all decision-making tools.</p>

Question		Answer	Mark	Guidance
6	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Quantitative information: <ul style="list-style-type: none"> - numerical, statistical or mathematical in nature - objective - capable of being proven/disproven. • Qualitative information: <ul style="list-style-type: none"> - non-numerical - subjective - based on opinion. <p>Exemplar responses: Eg Qualitative data is based on opinion (1), whereas quantitative data is based on maths (1).</p> <p>Eg Quantitative is based on numbers/figures (1), whereas qualitative is not (1).</p>	2	<p>Up to two marks.</p> <p>AO1 2</p> <p>Award zero if the terms are confused/not stated, Eg qualitative is based on numbers and quantitative based on opinion (0).</p> <p>Do not award vague statements such as “qualitative is about quality” or inaccurate statements such as “qualitative is about written data”.</p> <p>Accept references to data.</p> <p>Do not award examples.</p> <p>No context required.</p>

Question	Answer	Mark	Guidance
6 (b)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • degree of risk • likelihood of success • cost • profitability • returns on investment • ARR/Payback • market positioning – Ansoff’s Matrix • over reliance on a single product • knowledge of product/market • competitive advantage • strength of corporate image • business aims • preferences of shareholders • staffing issues • financing the options • borrowing requirement Option 1 • depletion of reserves Option 1 and 2b • knowledge/previous experience of owners • demand • competition • state of the economy • disposable income levels • wider business environment • economic conditions – interest, inflation, exchange rates • social trends – home entertaining, celebrations • practical and operational matters eg administration and technical issues. 	20	<p>AO1 2 AO2 4 AO3 6 AO4 8</p> <p>Level 4b: [17-20 marks] Candidate recommends and justifies which option <i>Fontane Ltd</i> should take using both quantitative and qualitative argument.</p> <p>Level 4a: [13-16 marks] Candidate recommends and justifies which option <i>Fontane Ltd</i> should take using either quantitative or qualitative argument</p> <p>Level 3b: [10-12 marks] Candidate analyses one or more options under consideration at <i>Fontane Ltd</i> using both quantitative and qualitative information.</p> <p>Level 3a: [7-9 marks] Candidate analyses one or more options under consideration at <i>Fontane Ltd</i> using either quantitative or qualitative information.</p> <p>Level 2: [3-6 marks] Candidate applies knowledge and understanding to the option(s) under consideration at <i>Fontane Ltd</i>.</p> <p>Level 1: [1-2 marks] Candidate identifies issues relating to strategic decision-making with no use of context.</p> <p>Do <u>not</u> award marks for repeating the case study.</p>

Question	Answer			Mark	Guidance	
		Opt 1 Fun apps Finance Cost: Payback: ARR: 6 year return Decision tree: Success: Failure: Best case pred: Worst case pred: Ansoff's	Opt 2a Sell Comm Res 80k £60,000 ≈2 year 100% £360,000 £228,000 0.7 0.3 £420,000 (£20,000) Mkt dev/	Opt 2b Hire Comm Sur 20k £120,000 ≈1½ years 67% £482,400 £205,000 0.5 0.5 £600,000 50,000 Mkt dev/ Diversification		<p>Only award 'risk' if it is qualified eg Ansoff's, financial.</p> <p>Only award 'chance of success' if qualified eg decision tree.</p> <p>Do not award arguments relating to reliance on exchange/commodity prices/stainless steel prices as these apply to all options.</p> <p>Non-contextual answers max Level 1.</p> <p>Award L4 to a candidate who following on from their analysis (L3 must have been awarded) makes a decision as to which option <i>Fontane Ltd</i> should take and backs this up with valid reasoning which fits with their previous analysis.</p> <p>L4 – the evaluative comments must be in specific context, ie apply in particular to Rachel/Fontane Ltd.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Context should be annotated when L2/L4 is awarded with the 'CONT' annotation.</p>
	<p>Exemplar response:</p> <p>Eg It is important to consider the length of time it would take to get a return on any investment (L1). Option 2b (CONT) 'for hire' option has the shortest estimated payback period of around 18 months (L2). This would seem the best option to take to avoid any cash-flow worries (L3, quant). However, Ansoff's Matrix would categorise this option as diversification as it involves both a new product and a new market (CONT) (L2). Whilst the larger-sized fountains should not be too much of a problem for the owners because of their engineering background, their lack of knowledge of the service sector would make this option extremely high risk (L3, qual). Given that the company has no option but to handle the risk of adverse exchange rates when importing the stainless steel (CONT) it would be best to stick to a lower risk option. Option 2a 'for sale' would be the best choice as it has a payback period only a little longer than option 2b the 'for hire' option and because it concentrates on manufacturing it has a much greater chance of success (L4, quant, qual).</p>					

Question		Answer	Mark	Guidance
7	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • product (1) • price/pricing (1) • promotion (1) • place (1). 	2	<p>AO1 2</p> <p>One mark for each correct identification up to a maximum of two identifications.</p> <p>4P's of marketing mix only.</p> <p>If more than two answers are suggested – mark the first one on each line.</p> <p>Do not award examples eg price penetration (0).</p> <p>No context required.</p>
7	(b)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • co-ordinate marketing strands/campaigns • to ensure elements of the marketing mix do not conflict • to give a unified/clear message • to tie in with company image/USP/previous efforts • to maximise the effectiveness of the marketing budget. <p>Exemplar responses:</p> <p>Eg The marketing mix used by <i>Fontane Ltd</i> should provide a unified message about its chocolate fountains (CONT) (L2) and maximise the company's reputation for high quality (CONT) products which retains the company's image (L2).</p> <p>Eg An integrated strategy will ensure that the elements of the marketing mix do not clash (L1). This will avoid the company wasting money on ineffective marketing (L1).</p>	4	<p>AO1 2 AO2 2</p> <p>Level 2: [3-4 marks] Candidate explains the benefits of having an integrated marketing strategy for <i>Fontane Ltd's</i> operations.</p> <p>Level 1: [1-2 marks] Candidate explains the benefits of having an integrated marketing strategy with no context.</p> <p>Responses which do not address integration should be annotated NAQ.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Non-contextual answer max Level 1.</p>

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

Education and Learning

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

www.ocr.org.uk

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored

Oxford Cambridge and RSA Examinations
is a Company Limited by Guarantee
Registered in England
Registered Office; 1 Hills Road, Cambridge, CB1 2EU
Registered Company Number: 3484466
OCR is an exempt Charity

OCR (Oxford Cambridge and RSA Examinations)
Head office
Telephone: 01223 552552
Facsimile: 01223 552553

© OCR 2012

