



General Certificate of Education

Business Studies 5131

**BUS3 External Influences and
Objectives and Strategy**

Mark Scheme

2007 examination - January series

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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General Marking Guidance

You should remember that your marking standards should reflect the levels of performance of Advanced Subsidiary candidates, mainly 17 years old, writing under examination conditions. The level of demand of this unit is that expected of candidates half-way through a full A Level course.

Positive Marking

You should be positive in your marking, giving credit for what is there rather than being too conscious of what is not. Do not deduct marks for irrelevant or incorrect answers as candidates penalise themselves in terms of the time they have spent.

Mark Range

*You should use the whole mark range available in the marking scheme. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **must** be given. A perfect answer is not required. Conversely, if the candidate's answer does not deserve credit, then no marks should be given.*

The use of Levels of Response

Levels of response marking requires examiners to follow the logic of a candidate's answer. A concept which would receive credit only for knowledge in one context could become a means of analysis in another. For instance, in the question: "Discuss the BGD Company's marketing strategy", a candidate who writes: "approaches to a strategy include SWOT and the Boston Matrix" is showing knowledge. A brief, accurate explanation of the Matrix shows understanding, whereas a candidate who uses the Matrix to examine the BGD Company's case is showing the skill of analysis.

Please note that there are other ways to show analysis.

*What then of evaluation? This is the hardest skill to define because judgement can only be shown in context - and that context is not only the one set in the assessment unit, but also by the candidate's own answer. Evaluation is **not** shown by drilled phrases or approaches such as: "On the other hand ..." or "Business operates in an ever-changing ...". It is shown through the weighting of the candidate's arguments, the logic (and justification) of his/her conclusions.*

The skills we seek from candidates are as follows:

- 1 Knowledge and understanding: accurate definitions or explanations of relevant terms should always be credited within this category; candidates can also gain credit for knowing and explaining a point relevant to the question, eg an advantage of factoring.
- 2 Application is the skill of bringing knowledge to bear to the business context faced by the candidate. Candidates should not be rewarded for simply dropping the company name or product category into their answer; the response must show recognition of some specific business aspect of the firm, its management or its situation.
- 3 Analysis: building up an argument using relevant business theory in a way that answers the question specifically and shows understanding of cause and effect.
- 4 Evaluation is judgement. This can be shown within an answer, through the weighting of an argument or in the perceptiveness shown by the candidate (perhaps about the degree of crisis/strength of the XYZ Company). It can also be shown within a conclusion, perhaps by weighing up the strength of the candidate's own arguments for and against a proposition. Evaluation is **not** shown simply by the use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment". It is shown through the weighting of the candidate's response plus the logic and justification of his/her conclusions.

Quality of Language

The GCSE and GCE A/AS Code of Practice requires the assessment of candidates' quality of written communication wherever they are required to write in continuous prose. In this unit, this assessment will take place for each candidate's script as a whole by means of the following marking criteria.

- LEVEL 3 Moderately complex ideas are expressed clearly and reasonably fluently, through well linked sentences and paragraphs. Arguments are generally relevant and well structured. There may be occasional errors of grammar, punctuation and spelling. **3 marks**
- LEVEL 2 Straightforward ideas are expressed clearly, if not always fluently. Sentences and paragraphs may not always be well connected. Arguments may sometimes stray from the point or be weakly presented. There may be some errors of grammar, punctuation and spelling, but not such as to suggest a weakness in these areas. **2 marks**
- LEVEL 1 Simple ideas are expressed clearly but arguments may be of doubtful relevance or obscurely presented. Errors in grammar, punctuation and spelling may be noticeable and intrusive, suggesting a weakness in these areas. **1 mark**

Total 3 marks

1**Total for this question: 6 marks**

Explain **two** possible problems faced by *Kiki* in attempting to extend its customer base to include the teenage female market segment. (6 marks)

| | Content 3 marks | Application 3 marks |
|----------------|--|---|
| Level 3 | 3 marks Identifies two problem(s) and shows some understanding of extending/building customer base or market segment or identifies one problem and shows good understanding of extending/building customer base or market segment | |
| Level 2 | 2 marks Identifies two problem(s) or identifies one problem and shows some understanding of extending/building a customer base or market segment | 3 marks Good application of the problem(s) to <i>Kiki</i> |
| Level 1 | 1 mark Identifies one problem or shows some understanding of extending/building a customer base or market segment | 2–1 marks Some application of the problem(s) to <i>Kiki</i> |

Possible problems might include the following:

- the expense of promotions required in order to reach a new target market
- a potential lack of credibility for the *Kiki* brand, given its previous image
- the fact that *Kiki* did not remain focused on its stated target, leading to a possible lack of direction or confusion within the organisation
- the attitudes of existing staff who are familiar with a different customer base
- a possible lack of understanding of the needs of the new customer base
- the impact on its existing customer base
- *Kiki's* lack of experience of this market segment
- reaction of competitors.

2**Total for this question: 6 marks**

Explain the possible benefits to *Kiki* of having clear objectives, such as the three objectives outlined in **Section E**. (6 marks)

| | Content 3 marks | Application 3 marks |
|----------------|--|---|
| Level 3 | 3 marks Identifies two benefits and shows some understanding of objectives or identifies one benefit and shows good understanding of objectives | |
| Level 2 | 2 marks Identifies two benefits or identifies one benefit and shows some understanding of objectives | 3 marks Good application of the benefit(s) to <i>Kiki</i> |
| Level 1 | 1 mark Identifies one benefit or shows some understanding of objectives | 2–1 marks Some application of the benefit(s) to <i>Kiki</i> |

Possible answers might include the following:

- to provide a sense of direction and unity. This was particularly vital as *Kiki* was heading in a radically different direction than previously
- to facilitate the introduction of systems such as MBO, which would enable clear targets to be set for each worker
- to assist *Kiki* to assess the level of progress made towards its targets and any potential variations in direction
- to motivate the workforce by enabling them to gain a sense of achievement when objectives are met.

3

Total for this question: 15 marks

To what extent might the SWOT analysis have been useful to Hannah in deciding her new strategy (**Section D**)? (15 marks)

| | Content 3 marks | Application 3 marks | Analysis 4 marks | Evaluation 5 marks |
|----------------|---|---|---|--|
| Level 3 | 3 marks Identifies two arguments and shows some understanding of SWOT or identifies one argument and shows good understanding | | | 5 marks Good judgement in assessing the overall usefulness of the SWOT analysis |
| Level 2 | 2 marks Shows good understanding of SWOT analysis or identifies two arguments or identifies one argument and shows some understanding of SWOT | 3 marks Good application of the usefulness to <i>Kiki</i> | 4–3 marks Good analysis of the usefulness | 4–3 marks Some judgement in assessing the overall usefulness of the SWOT analysis |
| Level 1 | 1 mark Shows some understanding of SWOT analysis or identifies one argument | 2–1 marks Some application of the usefulness to <i>Kiki</i> | 2–1 marks Some analysis of the usefulness | 2–1 marks Limited judgement shown in assessing the overall usefulness of the SWOT analysis |

Useful because it encouraged Hannah to:

- build on the recognised brand name and reputation for quality
- continue to use the skilled and loyal workforce
- change to ‘fast fashion’ and reduce lead times in order to eliminate the old-fashioned image
- change staffing in order to encourage new product development
- consider relocating the factory to low-wage areas and introduce new systems to improve productivity
- restructure the organisation to remove ‘out of touch’ management and introducing new blood into the organisation
- improve the layout of existing stores and introducing greater decentralisation in order to attract new customers
- implement a system of TQM throughout the organisation
- adopt a management by objectives approach
- cope with the rapidly changing market, for example through introducing the Chanteuse range of clothing and following this with a proposal to link closely with Pop Idol.

Not useful because it:

- tended to ignore certain elements of the SWOT analysis
- led to a strategy that was quickly replaced by a more successful alternative
- failed to recognise certain changes in the market.

Evaluation

Many of the points on the previous page helped *Kiki* to achieve its new objectives, but the real success came from the Chanteuse range of clothing. Therefore, although the usefulness of each factor listed could be argued, the evidence suggests that the new range was the overriding feature of the SWOT analysis that led to the business's success.

As the eventual success of *Kiki* came from its decision to adapt to a totally new market it might be argued that the SWOT was of limited usefulness in her decision. Alternatively, it could be argued that the SWOT analysis was vital as it persuaded Hannah to change *Kiki's* direction.

4

Total for this question: 8 marks

Analyse **two** possible reasons why *Kiki* might consider its social responsibilities to its existing employees and suppliers. (8 marks)

| | Content 2 marks | Application 2 marks | Analysis 4 marks |
|----------------|--|--|--|
| Level 2 | 2 marks Identifies two reason(s) or shows a good understanding of social responsibilities or identifies one reason and shows some understanding of social responsibility | 2 marks Good application of reasons to <i>Kiki</i> | 4–3 marks Good analysis of reasons |
| Level 1 | 1 mark Identifies one reason or shows some understanding of social responsibility | 1 mark Some application of reasons to <i>Kiki</i> | 2–1 marks Some analysis of reasons |

Possible answers might include the following:

- social responsibility may be a major aim of *Kiki*, although it is not stated in the case
- morality argument: business should act in everyone's interests
- such action may improve the brand image and reputation and this could enhance sales volume and possibly the price
- such action would encourage loyalty amongst suppliers and employees, thus helping the business's trading situation, and possibly increasing productivity
- it may assist *Kiki* in raising finance from organisations that employ ethical lending criteria.

5

Total for this question: 15 marks

Discuss the likely effects on *Kiki's* European stores of the forecast GDP growth rate **and** the Indian Rupee to the euro exchange rate (**Table 2**). (15 marks)

| | Content 3 marks | Application 3 marks | Analysis 4 marks | Evaluation 5 marks |
|----------------|---|--|---|---|
| Level 3 | 3 marks Identifies two effects and shows some understanding of GDP or exchange rate or identifies one effect and shows good understanding | | | 5 marks Good judgement in assessing the overall effect on <i>Kiki</i> |
| Level 2 | 2 marks Shows good understanding of GDP and exchange rate or identifies two effects or identifies one effect and shows some understanding | 3 marks Good application of the effect(s) on <i>Kiki</i> | 4–3 marks Good analysis of the possible effect(s) | 4–3 marks Some judgement in assessing the overall effect on <i>Kiki</i> |
| Level 1 | 1 mark Some understanding of GDP and/or exchange rate or one effect identified | 2–1 marks Some application of the effect(s) on <i>Kiki</i> | 2–1 marks Some analysis of the possible effect(s) | 2–1 marks Limited judgement shown |

Possible answers might include the following:

- GDP – the forecasts indicate favourable trading conditions, with spending likely to increase during the six month period
- Real GDP is negative in January, if GDP column refers to money income. However, it rises by June. Therefore, demand may be stagnant initially but starting to recover.
- GDP – the overall effect will depend on the income elasticity of demand for *Kiki's* products. Fashion items would normally have high income elasticity of demand, but, 'fast fashion' may be sold on the basis of competitive pricing and therefore have a relatively low income elasticity of demand
- Indian Rupee to the euro exchange rates – this trend will lead to lower costs and therefore either lower prices for the products or higher profit margins for *Kiki*, although benefits will be limited if competitors also buy from India. However, if demand is price elastic, *Kiki* may benefit. These advantages are in addition to the lower costs gained by relocating production from the UK to India
- if the products are sold in a competitive market this price advantage may be significant; if the products are sold on reputation, this benefit may be translated into higher profit margins instead.

Evaluation

The GDP is showing a dramatic increase for such a short period of time (six months). However, it is increasing from a low base and may be below recent GDP rises. The exchange rate is also changing radically, leading to considerable benefits for *Kiki*. However, comparison with this exchange rate in recent years would be helpful. The key data within the forecasts therefore suggests favourable trading conditions for the business, albeit covering a very limited time period.