



**General Certificate of Education (A-level)  
June 2011**

**Business Studies**

**BUSS3**

**(Specification 2130)**

**Unit 3: Strategies for Success**

***Mark Scheme***

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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 events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process 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 standardisation each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised 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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	<b>Assessment Objectives</b>
	The Assessment Objectives represent those qualities which can be demonstrated in candidates' work and which can be measured for the purposes of assessment.
AO1 Demonstrate knowledge and understanding of the specified content	Candidates give accurate definitions of relevant terms. Candidates can also gain credit for knowing and explaining a point relevant to the question.
AO2 Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations	Candidates should apply their knowledge to the business context in which the question is set, through recognition of some specific business aspect, the management of the business or the problems or issues faced by the business. Candidates will not be rewarded for simply dropping the company name or product category into their answer.
AO3 Analyse problems, issues and situations	Candidates use relevant business theory and select information from a range of sources, using appropriate methods, to analyse business problems and situations. For example, candidates may be asked to build up an argument that shows understanding of cause and effect.
AO4 Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources	Candidates evaluate evidence to reach reasoned judgements. This can be shown within an answer, through the weighting of an argument or 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. Candidates will not gain credit by the simple use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment".
<b>Quality of Written Communication</b>	The quality of written communication is assessed in all assessment units where candidates are required to produce extended written material. Candidates will be assessed according to their ability to: <ul style="list-style-type: none"> <li>• ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear.</li> <li>• select and use a form and style of writing appropriate to purpose and complex subject matter</li> <li>• organise information clearly and coherently, using specialist vocabulary when appropriate</li> </ul> <p>The assessment of the quality of written communication is included in <b>Assessment Objective 4</b>.</p>

## **ADDITIONAL GUIDANCE FOR MARKING SCHEME**

The marking scheme requires decisions to be made on whether candidates' responses represent reasonable or good application and reasonable or good analysis. If a response demonstrates good analysis and application, award Level 5, full marks. Alternatively, if a response does not contain any relevant knowledge then a mark of zero would be appropriate.

In making a decision about whether a particular response is good or reasonable, please use the following guidelines.

### **APPLICATION**

Good application can be demonstrated in three ways.

- **By combining data.** For example, in responding to Question 4, a candidate may link the fact that the business does not have any 'star' products in Figure 1 with the fact that the return on capital employed has fallen from 5% to 3% in Figure 4.
- **By manipulating data.** This will commonly be evidenced by linking two manipulated pieces of data, eg in Appendix C linking the increase in temporary staff from 10% to 20% with the fall in the average weekly wage from £300 to £275.
- **By being consistently in context.** An answer may not demonstrate either of the above characteristics, but it may be in context throughout with each argument related to the scenario.

Reasonable application could typically be awarded by correctly selecting the right figures from the data and then using them in the correct way.

For application to be creditworthy it must be used as part of a relevant argument. Some candidates simply copy out part of the case. This should **not** receive credit.

### **ANALYSIS**

Good analysis is shown when a candidate develops a chain of argument with a clear focus on the question. For example, when responding to Question 1, a line of argument which identifies that by empowering local managers will lead to increased levels of motivation and improved customer service, resulting in a better reputation for the business.

Reasonable analysis will be shown through less developed chains of argument or those with a less clear focus on the question. For example in Question 1, stating that empowering local managers will lead to improved motivation and better customer service.

Simple points or ideas expressed without any development should be rewarded with knowledge marks.

### **EVALUATION**

The driving force behind the award of evaluation marks is the quality of evaluation included in the answer and not the Quality of Written Communication. The key is the extent of the support for a judgement. Evaluative comments may be offered throughout a response and may support a judgement fully. Level 3 marks should be awarded to candidates who make judgements clearly related to the original question which is supported by the arguments offered elsewhere in their answer.

The decision on the Quality of Written Communication should be used to adjust a mark within the level selected on the basis of the candidate's evaluation. For example, a candidate may have been awarded the lower mark in E3 for evaluation but the response may be particularly well structured with highly effective use of technical terms. In this case, the mark may be adjusted upward to the maximum for E3.

A well written answer without any evaluation can receive one mark for quality of language.

1

**Total for this question: 10 marks**

Analyse **two** possible reasons why Sound and Vision plc currently has a decentralised structure. (10 marks)

Level	Descriptor	Marks
L5	Good application <b>AND</b> Good analysis	10–9
L4	Good application <b>AND</b> Reasonable analysis <i>or</i> Good analysis <b>AND</b> Reasonable application	8–7
L3	Reasonable application <b>AND</b> Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	6–5
L2	Knowledge <b>AND</b> Reasonable application <i>or</i> Knowledge <b>AND</b> Reasonable analysis	4–3
L1	Knowledge <i>or</i> reason(s) identified	2–1

**Definition:** A decentralised structure is where the power and authority to make decisions is delegated from head office to individual branches.

**Possible themes for application:**

- empowerment of local managers
- more responsive to local customers' needs – each store was individual and stocked items according to these needs
- enables the book and music divisions to operate as profit centres
- managers receive bonuses based upon the profitability of their store.

**Possible themes for analysis:**

There are many chains of argument that can be used. Some examples are:

- better decision making resulting from managers having greater local knowledge
- motivational benefits resulting from empowerment and the bonuses
- improved customer service
- marketing benefits resulting from selling products related to local needs.

For **good analysis** candidates should develop one or more arguments fully explaining the reasons for a decentralised structure.

2

**Total for this question: 18 marks**

*Amina's proposed strategy is expected to achieve a budgeted net present value (NPV) of at least £25 million and payback within three years. To what extent do you think that this is a realistic objective? Justify your view. You are encouraged to use calculations to support your answer. (18 marks)*

Level	Descriptor	Marks
L5	Good application <b>AND</b> Good analysis	13–12
L4	Good application <b>AND</b> Reasonable analysis <i>or</i> Good analysis <b>AND</b> Reasonable application	11–9
L3	Reasonable application <b>AND</b> Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	8–6
L2	Knowledge <b>AND</b> Reasonable application <i>or</i> Knowledge <b>AND</b> Reasonable analysis	5–3
L1	Knowledge <i>or</i> reason(s) identified	2–1

**Possible themes for application:**

- ROCE has fallen from 5% to 3%
- gearing has fallen from 70% to 55%
- acid test has fallen from 1.3:1 to 0.8:1
- effect on the predicted figures from established competitors such as Amazon.

**Possible lines of analysis:**

There are many chains of argument that can be used. Some examples are:

- falling profitability and liquidity could present difficulties in raising finance for the proposal as well as affecting the predicted cash inflow figures
- reaction from established competitors may affect the predicted cash inflow figures
- although gearing has fallen, it is still above 50% and could deter investors.

**Calculations:**

Year	Net return	Discount factor	Present value
0	(100)	1	(100)
1	40	0.91	36.4
2	40	0.83	33.2
3	80	0.75	60

NPV = + £29.6m.

Payback = 2 years and 3 months or 2 years and 13 weeks.

**NB:** Additional marks to be awarded based upon the analysis of the calculations.

### Evaluation

- in quantitative terms both targets are achievable
- how accurate are these financial forecasts?
- this is a new venture in a changing market
- qualitative factors such as the economy, competitors' reactions as well as consumers could all have an effect upon the accuracy of the predicted figures.

**For Evaluation,** you should award marks using the grid below.

**Note:** Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

Level	Descriptor	Marks
E3	Good judgement. Answer has a logical structure throughout with effective use of technical terms.	5–4
E2	Reasonable judgement. Evidence of a logical structure and some use of technical terms.	3–2
E1	Limited judgement. Limited evidence of a logical structure and limited use of technical terms.	1

3

**Total for this question: 18 marks**

*Amina believes that a significant marketing budget would be necessary for her marketing plan to achieve its objectives. To what extent do you agree with this view? (18 marks)*

Level	Descriptor	Marks
L5	Good application <b>AND</b> Good analysis	13–12
L4	Good application <b>AND</b> Reasonable analysis <i>or</i> Good analysis <b>AND</b> Reasonable application	11–9
L3	Reasonable application <b>AND</b> Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	8–6
L2	Knowledge <b>AND</b> Reasonable application <i>or</i> Knowledge <b>AND</b> Reasonable analysis	5–3
L1	Knowledge <i>or</i> reason(s) identified	2–1

**Relevant answers might include the following:**

A marketing budget is the amount of money allocated for the marketing strategy.

**Possible themes for application:**

- the business is repositioning itself and needs to create awareness of its new strategy
- it is up against strong competitors, such as the online retailers and supermarkets
- it is targeting the 15–24 year old market (rather than the 25–34 year old market)
- there are 300 music stores that will require a new store format
- potential operational issues with the new warehouse and distribution centre
- potential HR issues resulting from the store closures and centralisation
- worsening ROCE and acid test figures.

**Possible lines of analysis:**

There are many chains of argument that can be used. Some examples are:

- competitors have an established reputation and large marketing budgets
- effective market research is essential
- operational issues could result in inventory and distribution problems
- HR issues could result in poor customer service
- financial issues could affect the funds available for the marketing budget.

**Points for Evaluation might include:**

- a recognition that the budget is only one element of a successful marketing plan
- it is not the size of the budget but how effectively it is spent
- the actual product/service is key
- ultimately, it is the reaction of the target market that will determine whether or not the marketing plan has achieved its objectives.



**For Evaluation**, you should award marks using the grid below.

**Note:** Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
E3	Good judgement. Answer has a logical structure throughout with effective use of technical terms.	5–4
E2	Reasonable judgement. Evidence of a logical structure and some use of technical terms.	3–2
E1	Limited judgement. Limited evidence of a logical structure and limited use of technical terms.	1

4

**Total for this question: 34 marks**

Using all the information available to you, complete the following tasks:

- analyse the arguments **for** Amina's proposed strategy
- analyse the arguments **against** Amina's proposed strategy
- make a justified recommendation on whether Amina's proposed strategy should be adopted.

**You are encouraged to use numerical evidence to support your answer.**

(34 marks)

Level	Descriptor	Marks
L5	Good application <b>AND</b> Good analysis	24–21
L4	Good application <b>AND</b> Reasonable analysis <b>or</b> Good analysis <b>AND</b> Reasonable application	20–16
L3	Reasonable application <b>AND</b> Reasonable analysis <b>or</b> Good application <b>or</b> Good analysis	15–11
L2	Knowledge <b>AND</b> Reasonable application <b>or</b> Knowledge <b>AND</b> Reasonable analysis	10–6
L1	Knowledge <b>or</b> reason(s) identified	5–1

**Arguments for the new strategy might include the following:**

**Possible themes for application:**

- the target 15–24 year old market represents 30% of *Sound and Vision plc's* current market and more importantly, are the main purchasers of technology products
- this strategy provides the opportunity to exploit the growth in the popularity of downloading music, films and books
- books are cash cows that could support the 'problem child' technology products
- marketing benefits and technical expertise resulting from the partnership with the mobile phone network provider
- the business is still making profits plus it can raise £50m from selling off some of its bookstores
- gearing has fallen from 70% to 55%
- the new warehouse and distribution centre should enable quicker distribution and lower operating costs (significant as *Sound and Vision plc's* unit costs are higher than the industry average)
- the user of JIT should reduce stockholding costs
- centralisation should result in quicker decision making (crucial in this type of market).

**Possible lines of analysis:**

There are many chains of argument that can be used. Some examples are:

- the benefits resulting from attracting the 15–24 year old market
- analysis of *Sound and Vision plc*'s current product portfolio
- the fall in gearing could enable the business to borrow funds easier
- the operational benefits resulting from the new warehouse and distribution centre.

**Arguments against the new strategy:**

**Possible themes for application:**

- possible alienation of the 25–34 year old market who constitute a higher proportion of the current market (40%)
- the business does not possess any 'star' products
- it will be difficult to compete with established operators such as Amazon
- sharing profits with the mobile phone network provider plus providing floor space within the stores
- falling ROCE and asset turnover
- worsening acid test
- morale issues and potential industrial action resulting from the closure of the bookstores
- longer chain of command resulting from the change to a more centralised structure
- 15% of current employees are the same age as the target market plus proposed weekly wage is £275 compared to current wage of £300.

**Possible lines of analysis:**

- the 25–34 year old market are more affluent and the loss of this market segment could have serious consequences for the business
- the reaction of established competitors who might retaliate
- possible consequences resulting from the partnership with the mobile phone network provider
- falling ROCE and asset turnover indicates that the business is generating lower revenue and profits plus liquidity problems shown by the worsening acid test
- the consequences of lower staff morale resulting from the store closures and the change to a more centralised structure.

**Points for Evaluation might include the following:**

- *Sound and Vision plc* are losing market share in a declining market – it needs a new strategy
- how will the 15–24 year old market respond to the new store format?
- what effect will the closure of the majority of the book stores have upon the image of the business?
- is the 15–24 year old market the most attractive?

**See next page for Evaluation Grid.**

**For Evaluation**, you should award marks using the grid below.

**Note:** Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
E3	Good judgement. Ideas are communicated using a coherent structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	10–8
E2	Reasonable judgement. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	7–4
E1	Limited judgement. Ideas are communicated with some structure evident and with occasional use of technical terms. There are some errors in accepted conventions of written communication.	3–1

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