

Mark Scheme June 2007

Results Mark
Scheme

GCE Business Studies (6122)

1.

- (a) Using calculations based on the stock control chart above, describe what is meant by the following:
- (i) the lead time
 - (ii) the re-order quantity
- for stocks of flour at a NT tearoom.

Valid points could include:

- lead time is two weeks
- re-order quantity is 400 Kg

Level 2: Candidate applies knowledge of stock control system in context of flour usage by a NT tearoom. 3 - 4 marks

Level 1: Candidate displays some knowledge of lead time and/or re-order quantity/does not give calculations 1 - 2 marks

NB Maximum of 3 marks if no description Total 4 marks

- (b) Analyse the implications for a manager of a National Trust tearoom of adopting a Just In Time approach to the holding of all stocks.

Valid points could include:

- will have to anticipate usage rates
- needs to calculate stock level which minimises costs - economic order quantity - difficult due to variations in demand
- will need to consider the most suitable method of stock control to suit unique situation - fixed re-order interval may make it difficult to adjust to fluctuations in demand (a feature of this type of business)
- seasonal trade - efficient suppliers may be difficult to find each season
- will have to regularly monitor stock levels to ensure supplies are sufficient
- difficult to judge number of visitors - could result in stock-out situation
- shortage of supplies will result in lost customers = less sales = less profit
- faulty goods will result in lost customers

A Level 3 response will have identified the implications for a manager of a NT tearoom of adopting a JIT approach to the holding of all stocks.

eg the manager will need to consider the anticipated level of demand and life of a product - fresh food products such as fresh salmon for sandwiches will have a much shorter life than bottled drinks, for example, and therefore ...

Level 3: Candidate analyses implications for a NT tearoom manager of using JIT approach to stock holding.	5-6 marks
Level 2: Candidate applies knowledge of JIT stock control systems in context of a National Trust tearoom.	3-4 marks
Level 1: Candidate shows some knowledge of a JIT stock control system.	1- 2 marks

Total 6 marks

- (c) Assess the benefits and drawbacks for a ceramics manufacturer of using the batch production method to produce goods for the National Trust.

Valid points could include:

Benefits:

- batch production will allow manufacturer some flexibility - each batch can be changed to meet NT wishes - eg specific designs on mugs, etc
- can still produce in large quantities but this will depend on NT demand - may need to stipulate a minimum order size in order to maximise profits
- NT products will be similar to those already produced - no extra skills required
- Producing in large quantities will allow spreading of costs such as overheads

Drawbacks:

- orders may be irregular (due to seasonal aspect of NT) which will make planning difficult
- machines will need some adjustment between batches - this could result in costly down time
- if orders are small then unit costs will be relatively high - this will need to be reflected in price paid by NT
- the order cannot be dispatched until whole batch is finished - this will result in money tied up in work-in-progress - will add to manufacturers costs which must be passed on to NT

will need to use batch production method

A Level 4 response will have judged the benefits and drawbacks of producing goods for the National Trust using batch production. Reasons will have been offered that support the decision as to whether the benefits outweigh the drawbacks in this context.

eg the majority of NT shops are closed during the winter months, therefore orders from the NT will probably be seasonal and it will be difficult to achieve productive efficiency. However, NT products will vary little from those produced for other retailers and since the manufacture of ceramics will always be on a batch basis, In conclusion,

A Level 3 response will have identified possible benefits and/or drawbacks of batch production in this context, but will not have reached a conclusion as to whether or not the benefits outweigh the drawbacks.

Eg one benefit of batch production is that the machinery used can easily be adapted for the NT orders, therefore

Level 4: Candidate assesses the benefits and drawbacks of using batch production in this context and presents a valid conclusion.	8-10 marks
Level 3: Candidate analyses the benefits and drawbacks of using batch production in this context, and may present a one-sided answer.	6-7 marks
Level 2: Candidate applies knowledge of batch production in context.	3-5 marks
Level 1: Candidate shows some knowledge of batch production and/or production.	1-2 marks
	Total 10 marks

Quality of Written Communication:

Quality of written communication will be assessed in question 1c by means of the following criteria:

Level 3

Candidate expresses ideas extremely clearly and fluently. Answers are very well structured. Arguments are consistently relevant and well developed. There are few, if any, errors in spelling, punctuation and grammar.

3 marks

Level 2

Candidate expresses moderately complex ideas clearly and answers are well structured. Arguments are generally relevant and developed. There may be some errors in grammar, punctuation and spelling.

2 marks

Level 1

Candidate expresses simple ideas clearly, but may be confused or imprecise in the expression of ideas. Answers are not well structured and arguments are weakly presented. There may be noticeable errors in spelling, grammar and punctuation.

0-1 mark

TOTAL 3 MARKS

2.

- (a) With the aid of an example, define the term public relations as an element of the promotional mix.

PR is an organisation's attempt to communicate with its 'public'.
Examples could include press conferences, press releases, donations to charities, sponsorship, company visits, etc.

1 for a definition

1 for an example

Total 2 marks

- (b) Analyse the effectiveness of using public relations as a method of promotion for the National Trust.

Valid points could include:

- can reach a large number of potential customers if TV or press releases are used
- relatively inexpensive but does depend on 'newsworthy' activity - an open air concert requires the hiring of expensive performers - these costs might not be covered if weather is poor and press release might not be taken up by journalists
- NT has little or no control over the article - might be detrimental to the NT's image - although 'there is no such thing as bad publicity'
- Local events provide PR for a specific property

A Level 3 response will have discussed the benefits and limitations of using PR methods as a form of promotion for the National Trust.

eg the NT posts press releases of its recent activities on its website - these are made available to journalists. However, there is no guarantee that they will be taken up by the press. Whereas, an incident at a NT property might be reported on and so create a poor image of the Trust at a local level. Therefore....

Level 3: Candidate analyses the effectiveness of using PR as a method of promotion in the context of the National Trust. 6 -7 marks

Level 2: Candidate applies features of PR in the context of the National Trust. 3-5marks

Level 1: Candidate shows some knowledge of public relations/ promotion 1-2 marks

Total 7 marks

(c) **Assess the usefulness of product life cycle analysis to the National Trust when introducing a new product line into its shops.**

Valid points could include:

- product life cycle shows the different stages in the life of a product and the sales that can be expected at each stage
- stages: development, introduction, growth, maturity/saturation, decline - will give NT an indication of profitability at each stage;
- will help to identify when and where spending is required eg on R&D at Development
- at Introduction stage NT will expect to incur costs associated with marketing and promotion. How will any additional finance be funded bearing in mind NTs financial constraints?
- Growth - point at which revenue should be growing - if not, why not? NT will need to review and evaluate sales - is it a national or local trend?
- May help to manage cash flow - important for NT with so many expensive overheads eg maintenance of property
- At Maturity/Saturation the NT will need to decide whether or not to introduce extension strategies - is the property unique to the NT?
- At Decline - NT may decide not to continue to sell this product
- *However* - NT may find it difficult to tell what stage of the plc the product is at - depends on the product line - if similar to a previous product there is less of a problem than if the product line is a completely new one to the NT or is it unique to the NT eg specialised ceramics
- Products pass through each stage at different speeds - NT will need to be aware of factors that affect the length of the particular product's plc (such as, durability, fashion, technological change)
- NT does not promote individual items except at point of sale to draw attention to a price reduction usually at decline stage
- Stage may be dependent upon local interest - some products may pass through the cycle at different rates in different localities

A Level 4 response will have identified possible benefits and limitations to the National Trust of using the product life cycle in this instance.

eg product life cycle will help the National Trust identify times when additional finance is required to ensure the success of this particular product. For instance during the Decline stage finance may be needed for additional marketing to extend its life, or the Trustees may decide that the product should not be retained. However, if this is a completely new range of products to the NT then it may be difficult to recognise which stage the product is actually at, therefore In conclusion

A Level 3 response will have identified possible benefits and/or drawbacks to the National Trust of using the product life cycle in this instance.

eg one benefit of product life cycle analysis is that it helps to identify when additional spending on promotion is required, for instance at the Introduction stage. This implies, therefore ...

Level 4: Candidate assesses the usefulness to the National Trust of product life cycle analysis when introducing a new product line into its shops, and provides a valid conclusion.	8-11 marks
Level 3: Candidate analyses the appropriateness of product life cycle analysis to the National Trust. S/he may present a one-sided answer.	6-7 marks
Level 2: Candidate applies knowledge of product life cycle analysis in the context of the National Trust.	3-5 marks
Level 1: Candidate shows some knowledge of product life cycle analysis.	1-2 marks

Total 11 marks

3
(a) Analyse why using socio-economic classification to segment its market might be beneficial to the National Trust.

Valid points could include:

- class segmentation is usually based on employment status and conditions
- heritage tends to be a middle class interest (comment from context) - eg A/B₁/B₂
- will help to save on promotion costs - can place adverts in middle class magazines, etc
- can match the online products it offers to suit the market segment - eg types of holidays, etc
- can charge premium prices for products - online books, onsite memorabilia
- *but* heritage interests are changing according to National Trust - this will need to be taken into consideration
- discussion of other socio-economic segments

A Level 3 response will have analysed the reasons why the National Trust might benefit from using socio-economic classification to segment its market.

eg segmentation by class allows the National Trust to focus advertising at this segment thus saving costs and wastage. The product range can be aimed at this segment also. Therefore

Level 3: Candidate analyses the reasons why the National Trust might benefit from using socio-economic classification to segment its market.	7-8 marks
Level 2: Candidate applies knowledge of the use of socio-economic classification to segment a market in the context of the National Trust.	4-6 marks
Level 1: Candidate shows some knowledge of market segmentation by socio-economic classification/ segmentation	1-3 marks

Total 8 marks

(b) Evaluate the likely benefits to the National Trust of providing an internet shopping service.

Valid points could include:

- internet shopping continues to increase in popularity, particularly online holidays - the National Trust can be part of this growth area
- access to a world wide market - resulting in increased sales and profits - will provide additional income
- more homes have internet access than ever before - more potential customers - especially at Christmas when majority of National Trust properties are closed
- relatively low overheads - just website costs
- overseas visitors able to purchase National Trust goods after returning home

However:

- the National Trust may not fully benefit from sales since it does not supply all products. Receives a share of the profits from the actual suppliers eg books, holidays, cruises
- need for computer experts to maintain website - but these are required to maintain the National Trust website anyway

A Level 4 response will have judged the benefits and drawbacks of using the internet as a shopping service for the National Trust. Reasons will have been offered that support the decision as to whether or not the internet is appropriate in this context.

eg the National Trust will be able to access a much wider market than that serviced from its stately homes and other sites, but because of the way the National Trust operates some areas of this service profits are shared with suppliers, for instance, cruise holidays. In conclusion,

A Level 3 response will have identified possible benefits and/or drawbacks to the National Trust of using the internet as a shopping service.

eg online shopping requires experts to set up and maintain the National Trust's website, therefore

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| Level 4: Candidate clearly evaluates the benefits of using the internet in context of the National Trust, and presents a valid conclusion. | 9-12 marks |
| Level 3: Candidate analyses the benefits of using the internet in context of the National Trust, but may present a one-sided answer. | 7-8 marks |
| Level 2: Candidate applies the benefits of internet shopping in context of the National Trust. | 4-6 marks |
| Level 1: Candidate shows some knowledge of the benefits of internet shopping. | 1-3 marks |

Total 12 marks