

Mark Scheme June 2007

Results Mark Scheme

GCE Business Studies (6126)

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1. Evaluate the possible consequences of a takeover of Ottakar's by Waterstone's for both Waterstone's and the retail book industry.

Valid points could include:

For Waterstone's:

- creates one firm with 25% of market - the largest single player
- competitive edge over WH Smith
- economies of scale in marketing, management and finance
- coverage of towns and cities of different sizes without duplication
- closure of up to 29 Ottakar's shops and Ottakar's HQ and admin - greater efficiency
- some recognition of the need to manage change
- easier to gain finance and investment; may be able to expand further and to diversify
- could weaken position of other competitors such as supermarkets and online sellers
- larger and wider stocks than competitors
- stronger powers in cut price wars to detriment of other shops and types of competitor
- could put even more pressure on publishers

For the industry:

- makes position of independent booksellers even weaker: more closures and less profits to small-scale operators
- may not affect the cut-price and online sectors as much as the retail sector?
- the variety of books published may decline as Waterstone's are known for concentrating on a narrow range and withdrawing books after a short time
- for this reason, businesses dealing with backlists and second-hand books may flourish?

Note that some of the above points could apply to both aspects of the question and candidates may answer in this way.

A Level 4 response will consider the effects on both Waterstone's and the retail book industry and will produce a valid conclusion. Up-to-date knowledge of trends in the industry may be shown or gaps in the data (eg profit and turnover levels or stock policies of the firms involved) may be identified and their significance discussed.

A Level 3 response will consider the effects on Waterstone's and/or the industry. There may be no conclusion or the conclusion may be unconvincing. Data gaps may be identified but not discussed.

Level 4: Candidate evaluates the effects on all aspects of the industry and, after balanced discussion, presents a valid conclusion. Evaluation of only Waterstone's or the industry may be rewarded in the lower level of the mark band.	29-40 marks
Level 3: Candidate analyses the major issues, with some omissions, but may not produce a convincing conclusion. Analysis of only Waterstone's or the industry may be rewarded in the lower level of the mark band.	17-28 marks

Level 2: Candidate applies knowledge of relevant concepts, such as economies of scale, pricing and promotion to the context of Waterstone's and the industry. Application to only Waterstone's or the industry may be rewarded in the lower level of the mark band.	9-16 marks
Level 1: Candidate shows knowledge of some of the business concepts involved or makes some valid comments based on the case.	1-8 marks

Total 40 marks

2. Recommend a strategy that Adrian and Mary Warren could follow in the light of the problems they are experiencing with regard to Midchester Bookshop.

Valid points could include:

- carry out a situational audit with the help of their accountant
- sell the business and concentrate on writing books - but no guarantee that her books will be popular.
- diversify into antique books (risky).
- take over the cathedral and castle bookshops. Are they for sale? Are they profitable? How would they be staffed? Finance needed.
- boost the second-hand and book search side; concentrate on student market.
- use Mary's name more prominently or her contacts in the trade.
- emphasise local market aspects.
- seek to cut running costs - staff?
- do profits matter as long as Mary is happy - they can afford losses as it is really only a hobby?
- Any original or new ideas produced by candidate

A Level 4 response may conclude that the business is only a hobby and that break-even may be the only realistic target, or may conclude that there is no strategy that can guarantee success. Other responses may produce original or persuasive ideas. Some responses may consider that, as the business is in effect a hobby, that no major change is possible or desirable. A variety of conclusions is possible, but must be realistic and based on a balanced discussion.

A Level 3 response will analyse most of the issues but may not produce a convincing conclusion. The difficulties involved may not be realised and some simplistic recommendations may be made, which do not amount to a convincing strategy.

Level 4: Candidate produces a convincing strategy after a balanced discussion. Candidate may conclude that there is no strategy which will guarantee success. Several possible courses of action must be considered before the evaluation is made in order to access the higher levels of the mark band.	29-40 marks
Level 3: Candidate analyses most of the relevant issues, but may not produce a convincing strategy. Conclusions may be simplistic or unrealistic in the context of the case. Several possible courses of action must be considered in order to access the higher levels of the mark band.	17-28 marks
Level 2: Candidate applies knowledge of relevant theory to the case.	9-16 marks
Level 1: Candidate shows knowledge of relevant theory or makes some valid comments on the case.	1-8 marks

Total 40 marks

Quality of Written Communication (QWC):

QWC will be assessed in question 2 by means of the following criteria:

Level 4

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

6 marks

Level 3

Candidate expresses moderately complex ideas clearly and answers are well structured. Arguments are generally relevant and developed. There are few, if any, errors in spelling, punctuation and grammar.

4-5 marks

Level 2

Candidate expresses straightforward ideas clearly, but not always fluently. Answers are not well structured and arguments may be weakly presented. There may be some errors in spelling, punctuation and grammar.

2-3 marks

Level 1

Candidate expresses simple ideas clearly, but may be confused or imprecise in the expression of ideas. There may be noticeable errors in spelling, punctuation and grammar.

0-1mark

TOTAL 6 MARKS

3. Assess how Midchester Books might react to a decline in the number of foreign tourists visiting UK at some time in the future.

Valid points could include:

- deal with Heritage Tours could be less valuable and other similar deals may be possible
- number of tourists from within UK may be unaffected, or may change, depending on the cause of the decline in foreign visitors
- depends on the extent or the length of time that the decline lasts
- depends on the cause - economic, cultural or socio/political (eg terrorism)
- depends how Midchester is affected as opposed to (say) London or tourist hotspots
- the number of overseas tourists visiting Midchester and the bookshop and their contribution to the firm's revenue is unknown
- could affect the ideas about foreign language guidebooks
- may need to put more emphasis and investment into promotion either within UK or in the tourist market, possibly by internal sales, or seek a bigger local market or niche market

A Level 4 response will emphasise that the extent of the dependence on the tourist market is unknown. Possibly the effects on the bookshop may be minimal? The length of time that the trend will last and its cause (economic or otherwise) may be important. The conclusion will depend on the candidate's arguments, as some may conclude that the effects may be minimal, whereas others will suggest valid courses of action. The conclusion should follow a balanced discussion.

A Level 3 response will analyse the issue, but may omit certain points or produced an unbalanced argument. There may be no recommendations or the recommendations may be unconvincing. Gaps in the data (eg extent of the reliance on tourist revenue, cause of the trend, extent and length of the trend) may be unidentified or, if noted, may not be discussed in depth.

Level 4: Candidate makes valid assessment following a balanced discussion. Important issues which are not contained in the case data will be identified and discussed. To access the higher range of marks, the extent and impact of decline should be thoroughly considered.	29-40 marks
Level 3: Candidate analyses the relevant issues but may not produce a convincing assessment. Gaps in the data may not be noted or may not be discussed. To access the higher level of marks, a range of issues should be considered.	17-28 marks
Level 2: Candidate applies some relevant concepts to the case.	9-16 marks
Level 1: Candidate shows knowledge of relevant theory or makes some valid comments based on the case.	1-8 marks

Total 40 marks