

**Oxford Cambridge and RSA Examinations
Advanced Subsidiary GCE**

**BUSINESS STUDIES
BUSINESS DECISIONS**

2872

MARK SCHEME

Specimen Paper for June 2003

General

- 1 The paper is to be marked to AS standard.
- 2 Marking should be positive: marks should not be subtracted for errors or inaccuracies.
- 3 In assessing quantitative answers 'the own figure rule' (OFR) must be applied, i.e. a candidate must be given credit for calculations which, though wrong, are consistent with an earlier error.
- 4 Candidates should be regarded as achieving the highest level of response which accurately describes their answer. They do not necessarily pass through all lower levels of response.
- 5 Sections in bold refer to possible issues/content that the candidate might use. These are neither exhaustive nor necessarily required.
- 6 Up to 2 marks will be awarded for quality of written communication, which in this context refers to:
 - (a) the clarity of the candidates' expression
 - (b) the structure and presentation of ideas
 - (c) their grammar, punctuation and spelling
 - 2 where the demonstration of communication is as good as could be expected under time constrained examination conditions
 - 1 where the candidate's demonstration of communication is good in terms of clarity of expression
OR structure and presentation of ideas
OR the grammar, punctuation and spelling
and sound in the other regards.
 - 0 where the clarity of the candidate's expression
OR the structure and presentation of ideas
OR the grammar, punctuation and spelling
are such as to detract from the quality of the answer.

MARK SCHEME

1 (a) Outline two methods that Thorntons might use to research the nature of its market. [4]

Field research methods – questionnaires, surveys, interviews, observations, focus groups, consumer panels etc.

Desk research methods – sales figures, orders/number of hits on the website, demographic data, government statistics, trade/industry journals etc.

Possible explanation/application: Some indication of the nature or influence of the business or its market in relation to the chosen method or consideration of issues re validity and bias. As a large company Thomtoms may use a specialist market research agency to carry out research.

Level 2	Method(s) explained/applied to the business.	(4-3)
Level 1	One or two Method(s) stated.	(2-1)

(b) Evaluate the ways in which Thorntons could maintain a high positive awareness of their brand among the population. [12]

Promotional activities – above the line – advertising using the media – TV, radio, below the line – promotional activities etc.

Exposure to the brand – ensuring coverage across the whole country – consideration of where new stores/franchises are located.

Consistent approach to logo, slogans, packaging, merchandising, store frontages, uniforms, what is on the side of lorries etc.

Use of other channels of distribution e.g. Use of a website – to order and provide information about the business, selling goods through supermarkets, up market food shops etc.

The difficulties of operating in different segments that have different needs from the marketing mix. Consideration of impact of the product portfolio – the need to develop and launch new products while maintaining the maturity stage of existing popular products. How the product mix will impact on any promotional strategy.

The problems arising from the seasonal nature of the market – even with a strong brand.

Issues relating to being a premium products especially in times of economic downturn – will sales fall because the product is a luxury that can no longer be afforded? Or will people treat themselves to the chocolates as the only bit of luxury they can afford?

Consideration of: the relative costs of methods chosen, influence of competition.

Level 4	Evaluation of the various methods that could be used and their relative importance.	(12-9)
Level 3	Analysis demonstrated by considering the implications for the business.	(8-6)
Level 2	Understanding of concepts involved demonstrated in context.	(5-3)
Level 1	Appropriate concepts and issues identified.	(2-1)

- 2 A potential franchisee is considering taking a Thorntons franchise for a five year period. Using the data in Table 2, calculate:
- the payback period
 - the accounting rate of return (ARR). [8]

$Original\ Investment = \pounds 10\ 000 + \pounds 25\ 000 + \pounds 10\ 000 = \pounds 45,000$ [1]

	Cash flows	Cumulative Cash Flow	
Year 1	£10 000	£10 000	
Year 2	£15 000	£25 000	
Year 3	£20 000	£45 000	[1]
		<u>Payback = end of year 3</u>	[1]

$ARR = \frac{\text{average annual net cash flow}}{\text{Investment}}$

Cash flows	Year		
	1	£10,000	
	2	£15,000	
	3	£20,000	
	4	£20,000	
	5	<u>£25,000</u>	
TOTAL		£90,000	[1]
Net cash flow:		$90,000 - 45,000 = \pounds 45,000$	[1]
Annual net cash flow:		$\pounds 45,000 / 5 = \pounds 9,000$	[1]
Annual net cash flow/investment		$\pounds 9,000 / \pounds 45,000$	[1]
ARR:		<u>= 20%</u>	[1]

- 3 Analyse the advantages and disadvantages to Thorntons of using batch production. [7]

Advantages

Nature of the goods sold by Thorntons is such that there are many different versions within one item for sale such as a box of chocolates. Therefore would need different batches of different products made e.g. chocolates with different fillings. Allows for seasonal variation in products e.g. Easter eggs, chocolate Christmas decorations etc. Can respond to changes in demand. Allows some specialisation of the workforce and use of specialist machinery – lowering costs.

Disadvantages

Storage costs while all the other flavours in the box of chocolates are made – particularly as these are foodstuffs which are perishable. Also, potential wastage as goods are moved around the factory. Down time while the machinery is cleaned and reset/changed over. Specialisation may mean jobs are boring – motivational issues.

Level 3	Analysis demonstrated by considering the implications for the business.	(7-6)
Level 2	Understanding of concepts involved demonstrated in context.	(5-4)
Level 1	Appropriate concepts and issues identified.	(3-1)

4 Evaluate Thorntons' policy of recruiting warehouse staff on a seasonal basis. [12]

Benefits

Sales are seasonal so only pay for people when they are really needed. Low level jobs that do not require high levels of training. Need only pay low levels of wages for these types of jobs. People move on before they have a chance to get bored of the job. May fit in with lifestyles of some of these workers e.g. students. These types of workers may keep returning to the job.

Limitations

Cost of recruitment process, cost of training up new staff, lack of experience, lack of continuity, more errors, quality control may be more difficult. May be difficult to recruit people if the surrounding area is affluent or the economy is doing well.

Level 4	Evaluation of the relative importance of the advantages and disadvantages of the policy.	(8-7)
Level 3	Analysis demonstrated by considering the implications for the business.	(6-5)
Level 2	Understanding of concepts involved demonstrated in context.	(4-3)
Level 1	Appropriate concepts and issues identified.	(2-1)

MARK ALLOCATIONS

Question	AO1 Knowledge	AO2 Application	AO3 Analysis	AO4 Evaluation	TOTAL
1 (a)	2	2			4
(b)	2	3	3	4	12
2	2	2	2		8
3	3	2	2		7
4	2	3	3	4	12
Total	13	12	10	8	43
QWC					2
PAPER TOTAL					45

