

MARKSCHEME

May 2000

BUSINESS AND ORGANISATION

Standard Level

Paper 1

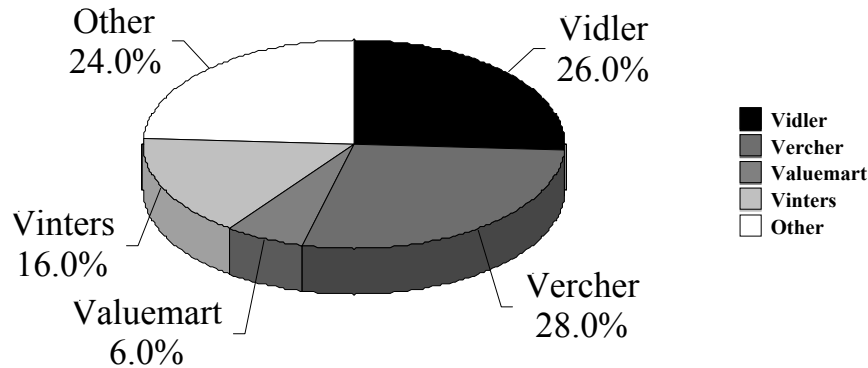
1. What is meant by the following terms?

- (a) **Market Leader** – The Company is generally recognised as **the leader in the market**, typically it has the **largest market share**. It determines the nature and pace of the market. [2 marks]
- (b) **Branding** – Name or design which **identifies the products or services of a company and distinguishes them from competition**. [2 marks]
- (c) **Marketing research** – **Gathering, recording, analysing, and presenting information** relevant to the **marketing process**. Part of marketing planning may be primary or secondary. May suggest examples. [2 marks]

(Award up to [2 marks] for each explanation up to a maximum of [6 marks]).

2. Produce *one* pie chart showing market share for each company for 1999. [4 marks]

Figures 1 and 2 Market Share information



Level 1 [4 marks]

A correct pie chart that displays market share and is well presented, clear and easy to understand.

Level 2 [2 - 3 marks]

A pie chart that is generally correct; there may be one mistake. Market share is displayed but presentation could be improved.

Level 3 [1 mark]

An incorrect chart which is well presented. May or may not display market share information.

3. Evaluate *three* consequences of removing a layer from the organisational structure at senior director level.

[6 marks]

- Costs saved will be greater at this level than lower down in the organisation;
- Enable new blood to become involved in the decision making;
- Expertise may be lost;
- Confidential Company information may be taken elsewhere;
- Staff may have been with the company for some time;
- Employees may be older and may find it difficult to get jobs elsewhere;
- Redundancy payments are likely to be higher at this level;
- Communication may improve;
- Greater workload on those who remain;
- Greater premium on delegation;
- Different managerial style;
- Upskilling of those lower down the structure.

Level 1 [5 - 6 marks]

Evaluates at least three consequences of the removal of a layer, the evaluation is effective.

Level 2 [3 - 4 marks]

Evaluates at least two consequences of the removal of a layer, the evaluation is adequate.

Level 3 [1 - 2 marks]

Evaluates one consequences of the removal of a layer, the evaluation is superficial, or lists at least two consequences without evaluation.

4. **You are the market research consultant appointed by Vidler. Produce a report for Bill Adraino, discuss your findings and conclusions, and make at least *three* recommendations as to how Vidler could relaunch itself for the Year 2000.**

[8 marks]

Vidler is the market challenger and needs to adopt an aggressive stance to gain market share. The long-term aim is to displace the market leader. It could compete head to head with Vercher or change its market/product portfolio. The findings are not good for Vidler.

Findings

Vidler	Vercher
Dull grey and brown corporate identity	Bright modern corporate identity
Few special offers	Special offers to attract customers
Slow checkout services	Fast scanning to speed up checkout
Telephone order line	Internet ordering
Narrow aisles	Wide aisles
Staff discount	Staff bonus scheme
Standard trolley	Different trolleys
Small car park	Large car park

Recommendations include:

- Price discounting;
- Product innovation;
- Improved quality;
- Intensive advertising;
- Special promotions;
- Innovation in distribution;
- Product proliferation;
- Development of new market;
- New corporate identity – modern;
- Improved customer service;
- Faster shopping experience;
- New store layout;
- Better equipment;
- Better car parks;
- New image to extend to shop fronts, signs, trolleys, bags, receipts, lorries.

Level 1 [6 - 8 marks]

A report format. Discusses most of the main findings from the case study and outlines at least three recommendations that Vidler could adopt in order to relaunch itself and ensure success.

Level 2 [3 - 5 marks]

Some of a report format. Discusses some of the findings from the case study and makes at least two recommendations that Vidler could adopt in order to relaunch itself.

Level 3 [1 - 2 marks]

May not produce a report format but discusses one or two findings from the case study. Makes at least one recommendation for the relaunch.

5. **Vidler need to improve communication between store managers and their staff. Explain *three* methods they could implement in order to make communication more effective.**

[6 marks]

- Ensure adequate feedback facilities exist;
- Ensure everyone is aware of the importance of good communication;
- Use a variety of media;
- Minimise chains of communication;
- Hold regular meetings;
- Notice board;
- Newsletter;
- Daily briefing;
- In store notices;
- Suggestion box;
- Improve management style;
- Better training.

(Award up to [2 marks] for each relevant explanation up to a maximum of [6 marks]).

6. **If the total sales for Vercher, in December 1999 were \$ 420 000, calculate the total sales Vercher had in January 2000.**

[2 marks]

Total sales for December = 420 000
Sales increased by 4% in January

$$\frac{420\,000 \times 104}{100} = \$ 436\,800$$

Therefore total sales for January are \$ 436 000

(Award [2 marks] for a correct method, and answer. If the candidate does not show working out award a maximum of [1 mark] for the correct answer).

7. Using the financial information given prepare profit and loss accounts for Vidler for the year ending 1999 and the projected figures for 2000. Use *two* ratios to compare the accounts and comment on what is happening. [8 marks]

	1999 \$	2000 (projected) \$
Total sales	2.6 m	2.4 m
Total cost of sales	1.82 m	1.9 m
Administration costs	140 000	145 000
Selling and distribution costs	40 000	42 000
Other costs	80 000	81 000

Profit and loss accounts

	Year ending 1999 \$ 000	Year ending 2000 (projected) \$000
Sales Revenue	2600	2400
Less cost of sales	1820	1900
Gross Profit	780	500
Less Administration costs	140	145
Selling and distribution costs	40	42
Other	80	81
	260	268
Net Profit	520	232

Both Gross Profit and Net Profit ratios have both decreased by about 10 %. The company clearly needs to take steps to change in order to make the actual figures for 2000, greater than the projected figures. They can do this by making changes in order to increase sales and costs.

	1999	2000 (projected)
Gross profit margin = $\frac{\text{Gross Profit}}{\text{Sales revenue}} \times 100$	$\frac{780 \times 100}{2600} = 30\%$	$\frac{500 \times 100}{2400} = 20.83\%$
Net profit margin = $\frac{\text{Net profit}}{\text{Sales revenue}} \times 100$	$\frac{520 \times 100}{2600} = 20\%$	$\frac{232 \times 100}{2400} = 9.66\%$

Level 1 [6 - 8 marks]

Correctly produces two profit and loss accounts with no errors, using a suitable layout. Use two ratios correctly and comments that the profits are decreasing and that the company needs to take steps to stop this. May outline strategies.

Level 2 [4 - 5 marks]

Produces two profit and loss accounts that contain one or two errors, those errors are followed through. Uses a suitable layout and comments that the profits are decreasing, using at least one ratio to support their answer which is correct.

Level 3 [2 - 3 marks]

Produces at least one profit and loss account that contains several errors, seems to understand the process, but the layout may need improvement. May or may not comment on the performance of the company, may not use ratios, or ratios may be incorrect.

Level 4 [1 mark]

Does not produce a profit and loss account but comments that the financial position of the company is worsening.
