

Markscheme

May 2015

Business and management

Standard level

Paper 2

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The markbands on pages 3–4 should be used where indicated in the markscheme.

Section A		Section B			Level descriptors
Q1 (c)	Q2 (d)	Q3 (c)	Q4 (d)	Q5 (c)	
Marks 0–5					
0					<ul style="list-style-type: none"> No knowledge or understanding of relevant issues, concepts and theories. No use of appropriate terminology.
1–2					<ul style="list-style-type: none"> Little knowledge and understanding of relevant issues, concepts and theories. Little use of appropriate terminology. No reference is made to the information in the stimulus material. The response is mainly theoretical.
3–4					<ul style="list-style-type: none"> A description or partial analysis/examination with relevant knowledge and/or understanding of relevant issues, concepts and theories. Some use of appropriate terminology. Some reference is made to the information in the stimulus material, not just to the name of the organization.
5					<ul style="list-style-type: none"> A balanced analysis/examination with accurate, specific well-detailed knowledge and understanding of relevant issues, concepts and theories. An analysis/examination that uses appropriate terminology throughout the response. Explicit references are made to the information in the stimulus material.

Section B			Level descriptors
Q3 (d)	Q4 (e)	Q5 (d)	
Marks 0–7			
0			<ul style="list-style-type: none"> • No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology.
1–2			<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No evidence of judgments and/or conclusions. • No reference is made to the information in the stimulus material.
3–4			<ul style="list-style-type: none"> • A description with some knowledge and/or understanding of relevant issues and concepts. • Some use of appropriate terminology. • No evidence of judgments and/or conclusions. • Some reference is made to the information in the stimulus material, not just to the name of the organization. • The response is mainly theoretical.
5–6			<ul style="list-style-type: none"> • A response with relevant knowledge and understanding of relevant issues, concepts and theories. • A response that uses relevant and appropriate terminology. • Evidence of judgments and/or conclusions that are little more than unsubstantiated statements that has balanced analysis and demonstrates understanding. • Explicit references to the information in the stimulus material are made at places in the response.
7			<ul style="list-style-type: none"> • A response with accurate, specific well-detailed knowledge and understanding of relevant issues, concepts and theories. • A response that uses appropriate terminology competently throughout the response. • A response that includes judgments and/or conclusions that is well supported and underpinned by a balanced analysis. • Explicit references to the information in the stimulus material are made throughout the response.

Section A

1. (a) Using a PEST framework, describe **two** external factors that may affect *NK*. **[4]**

PEST stands for political, economic, social, and technological. The categories are not perfectly distinct.

External factors in the stimulus include:

Political

- regional trading bloc
- inefficient national governments
- limited public sector services.

Economic

- developing economies
- weak infrastructure.

Social

- low quality of life
- poorly educated population.

Technological

- weak infrastructure
- by inference, weak high technology.

Accept any relevant external factor.

Mark as 2+2.

Award [1] for each relevant external PEST factor identified and [1] for an appropriate description, up to a maximum of [2].

- (b) Using data from the table:

- (i) calculate loan capital X (*show all your working*); **[2]**

All figures in 000s

$$\text{Total of all assets:} = \$176 + \$674 + \$320 + \$2600 = \$3770$$

$$\begin{aligned} \text{Total of liabilities and owner's equity, other than X:} \\ = \$270 + \$230 + \$300 + \$970 = \$1770 \end{aligned}$$

$$X = \$3770 - \$1770 = \$2000$$

Award [1] for working and [1] for the correct answer. Award up to a maximum of [2].

- (ii) construct a fully labelled balance sheet for *NK*; [4]

NK's balance sheet as at 31 May 2014 (all figures in \$)

Net fixed assets		2 600 000
Current assets		
Stock	320 000	
Debtors	674 000	
Cash	176 000	
Total assets		3 770 000
Current liabilities		
Creditors	230 000	
Short-term borrowing	270 000	
Total		500 000
Net assets		3 270 000
Share capital		300 000
Loan capital		2 000 000
Retained profit		970 000
Total capital employed		3 270 000

Award [4] if the candidate constructs an accurate balance sheet (that balances) according to the IB prescribed format, such as the vertical balance sheet above or the horizontal model typically used in the United States. The balance sheet must be dated.

Award [3] for a largely accurate balance sheet that balances, according to a generally accepted format, such as the vertical format above or the horizontal model typically used in the United States.

Award [2] if the candidate constructs a largely recognizable balance sheet but it does not balance, or it has two major problems of classification.

Award [1] if the candidate conveys some idea of what a balance sheet is.

- (iii) calculate *NK*'s gross profit margin (no working required); [1]

$$\frac{\text{Gross profit: } 4\,300\,000}{\text{Sales revenue: } 8\,200\,000} \times 100 = 52.44\%$$

Gross profit margin is 52.44%. Accept 52.4%.

Award [1] for the correct answer (no working required).

- (iv) calculate NK's forecasted gearing ratio for **Option A** and for **Option B** (show all your working).

[4]

$$\text{Gearing ratio} = \frac{\text{Loan capital}}{\text{Total capital employed}} \times 100$$

All figures in 000s

$$\text{Option A: } \frac{2000 + 720}{3270 + 720} = \frac{2720}{3990} \times 100 = 68.17\% \quad (\text{Accept } 68.2 \text{ or } 68.17)$$

$$\text{Option B: } \frac{2000}{3270 + 800} = \frac{2000}{4070} \times 100 = 49.14\% \quad (\text{Accept } 49.1 \text{ or } 49.14)$$

Mark as 2+2.

N.B. please be especially careful when marking these responses. Candidate own figure rule (OFR) applies. Often, to check the candidate's response, the examiner must refer to the balance sheet produced by the candidate in part (ii), identify the loan capital and/or total capital employed from the balance sheet and then calculate what the gearing ratios should be using these figures.

Award [1] for working and [1] for the correct answer. Award up to a maximum of [2] for each option.

- (c) Examine the **disadvantages** of **Option A** and of **Option B** as sources of finance for the purchase of the new equipment.

[5]

The disadvantages of Option A, which will increase *NK*'s gearing ratio, are that:

- *NK*'s profitability after tax and interest will be affected because of the interest expense on the new loan
- *NK*'s cashflow will be affected by the debt service (payments), which is money that could have gone into other needs (increased working capital requirements, other capital expenditures, etc).

The disadvantages of Option B, which will lower *NK*'s gearing ratio, are that:

- ownership of the business may be affected – the \$800 000 may come from new investors, thus diluting ownership for current owners, or, if the \$800 000 comes from existing owners, it may change the percentage ownership of existing shareholders.
- Financing capital expenditures with capital rather than equity increases the total equity amount, which makes it more difficult to maintain return on equity ratio for investors.

Overall, the use of equity for capital is the safest option, but has the potential for lower reward. The use of debt is the riskier of the two options, but the chance for very strong investor returns exists with the debt-financing option.

Accept any other relevant examination.

In the context of this response, a balanced response is when a candidate address the disadvantages of both types of financing. If a candidate addresses only one type, award a maximum of [3].

Marks should be allocated according to the markbands on page 3.

2. (a) Describe *ET*'s current distribution channel and the channel recommended by the marketing consultant. [4]

ET's current distribution channel is B2C shipment directly from the production facility to the purchaser. In e-commerce terms, it is "pure play," meaning that, from a consumer's point of view, *ET* has only an Internet presence. It has no physical stores to which consumers can go to see and experience the toys.

ET's proposed new distribution channel is by way of the toy parties. This approach is somewhat unusual. A typical integration of Internet commerce with a physical presence, known as "brick-and-click," involves a retail store or locations with fixed addresses to which consumers can go. The toy parties represent something different: a physical presence of representatives of the company, but not a permanent physical presence (locations could change and the physical presence exists only when there is a party).

Mark as 2+2.

Award [1] for identifying ET's current distribution channel Award [1] for describing it. Candidates do not have to use the term "pure play" for [1] but they do have to convey the idea that, to consumers, ET currently only has an Internet presence. Award up to a maximum of [2].

Award [1] for identifying ET's new distribution channel (toy parties). Award [1] for describing it. Candidates do not have to use the term "click-and-brick", but they do have to provide some additional descriptor for a second mark. That descriptor could emphasize that there is now an intermediary between ET and the customers (sales representatives), or that ET now has a one level distribution system (in addition to its continued B2C online sales). However, if the description is of the promotional and marketing technique features of "toy parties" (children can play with the toys, etc), do not accept this as a relevant descriptor (as it is not describing distribution). Award up to a maximum of [2].

- (b) (i) Using **Table 1**, calculate *ET*'s net profit margin for 2014 (show all your working). [2]

Sales – fixed costs – variable costs = net profit before interest and tax

$$300\,000 - 121\,800 - 125\,000 = 53\,200$$

$$\frac{53\,200}{300\,000} \times 100 = 17.73\% \quad (\text{Accept } 17.7\% \text{ or } 17.8\%)$$

Award [1] for working and [1] for the correct answer. Award up to a maximum of [2].

- (ii) Using **Table 2**, calculate *ET*'s forecasted net profit margin for 2015 (*show all your working*). **[2]**

Sales – fixed costs – variable costs = net profit before interest and tax

$$352\,000 - 180\,000 - 128\,000 - 32\,000 - 32\,000 = <20\,000>$$

$$\frac{<20\,000>}{352\,000} \times 100 = <5.68\%> \quad (\text{Accept } <5.6\%> \text{ or } <5.7\%>)$$

Award [1] for working and [1] for the correct answer. Award up to a maximum of [2].

- (iii) Comment on the change in net profit margin from 2014 (actual) and 2015 (forecasted). **[3]**

Net profit margin fell from a healthy 17.73% to a negative 5.68%. The biggest reason for the decrease is the increase in fixed costs, which rose from €121 800 to €180 000. The combination of lower prices and sales commission also had an impact, as variable costs as a percentage of sales increased from 41.67% to 54.55%. *ET* will have to increase volume if it is to return to profitability, or determine some ways to cut its variable costs.

Award [1] if the candidate makes an assertion about the change using figures to support their response. Award [1] for each relevant commentary on the situation (for example, the increase in fixed costs, the increase in variable costs, the need for greater volume, etc). Award a maximum of [3].

N.B. a candidate could make a relevant comment and earn a mark without using figures. For example, compare:

“The forecasted net profit margin for 2015 is lower than the net profit margin for 2014, possibly because of the higher promotion costs and lower prices.” This response would receive [1].

Versus:

“The forecasted net profit margin of <5.68%> for 2015 is lower than the net profit margin of 17.73% for 2014, possibly because of the higher promotion costs and lower prices.” This response would receive [2].

A comment as basic as “the net profit margin declined from 17.73% to <5.68%>” would receive only [1], despite having figures and a basic valid assertion. This is because the candidate is just putting into words the basic differences in the two figures.

- (c) Using relevant data from **Table 2**, prepare an **annual** cash-flow forecast for *ET*, for 2015.

[4]

Receipts	
Cash sales revenue	€352 000
Total receipts	€352 000
Payments	
Fixed costs	€180 000
Raw materials	€128 000
Sales commissions	€32 000
Other variable costs	€32 000
Total payments	€372 000
Net cash flow	€<20 000>
Opening balance	€37 000
Closing balance	€17 000

Award [1] if the candidate has some idea of an annual cash-flow forecast but otherwise has numerous errors. Award [2] if the cash flow has two or more errors or has a largely inaccurate format. Award [3] if it is largely formatted correctly and/or has one error. Award a maximum of [4] for a correctly formatted and mathematically accurate cash-flow forecast.

***N.B.** an example of how a candidate can demonstrate “some idea” is if they produce a table with many errors (balance sheet figures, wrong order, mathematical errors, etc, but still conveys some sense of opening cash balance and a closing cash balance.*

- (d) Examine **two** reasons why *ET* originally charged higher prices for its toys than those charged by its competitors.

[5]

Possible reasons why *ET*'s toys were more expensive than their competitors include:

- *ET* hoped that if it priced its toys higher, consumers would think of them as of higher quality or of better value (educational).
- The parents who purchase *ET*'s toys are loyal, believe in the product, and, therefore, are willing to pay premium pricing.
- *ET* has a small scale of operations. Compared to most toy manufacturers, *ET* is very small and may not enjoy the economies of scale that other manufacturers do.

Accept any other relevant reason and examination.

***N.B.** Award [1] for each reason identified, up to [2]. Award an additional [1] if the candidate provides a reasonable examination. Award [1] if the candidate has one reason that is primarily psychological (brand perception, customer loyalty, etc) and the second reason is “real,” based upon possible higher per-unit cost because of the small scale of operations.*

Marks should be allocated according to the markbands on page 3.

Section B

3. (a) Describe **one** type of below the line promotion that *SP* may use to promote its “running clinics”. [2]

Types of below the line promotion include:

- direct marketing (catalogues, email, flyers, mail, online display ads and pop-ups, promotional letters, text messages, *etc*)
- personal selling (of which there are many varieties)
- public relations
- sponsorship (charities, sports events, *etc*)
- celebrity appearance at events or in the store
- *accept any other relevant below the line promotion.*

As this question is about below the line promotion rather than below the line advertising, reward for discounts but do not reward logos or slogans.

N.B. *do not accept word of mouth as a type of below the line promotion.*

Award [1] when a candidate correctly identifies a type of below the line promotion and [1] for describing it. Award up to a maximum of [2].

- (b) Explain **two** reasons why *SP* supports the local running community. [6]

Reasons why *SP* would support the local running community include:

USP: The main reason *SP* supports the local running community is to develop a local customer base. *SP*'s USP is not price. Runners in the Santa Fe area can purchase running shoes more cheaply online. Though the stimulus does not say so, they can probably also buy shoes cheaper at chain sporting goods store, like *Foot Locker* or *Dick's Sporting Goods*. *SP* simply cannot compete on price, so its USP is based upon the idea that *SP* supports and fosters a whole community of people with the same interest. Buying from *SP* means joining a community, and the community is self-reinforcing because everyone has a common interest (running).

Promotion/publicity: One method of supporting the running community is having events, like local races and, especially, its annual event “Race to the Top”. By hosting such events, which garner publicity, *SP*'s marketing reaches beyond the immediate community of its customers. Local events wind up being reported on local TV, so even non-runners come to know the store and support the event. Along with other sponsored events, like other races and running clinics, *SP* gets to be better known. Other businesses will want to get involved and play some role in the event, making it even bigger, attracting more people.

Create sales opportunities: The events probably lead to increased sales. This is true of races but also of running clinics, which probably attract people who are not runners (they go to the clinic to learn about running). If the clinic piques their interest, *SP* has positioned itself to sell those people shoes. Clinic participants could, of course, buy their shoes online (and perhaps some do), but others and perhaps even most would feel some loyalty/obligation to *SP* to buy a pair of shoes from them. Soon, these customers are part of the running community.

Purpose: Another reason that *SP* supports the local running community is because its owners and manager (and probably most of the staff) really do believe that “Running sustains life, locally and globally”. One of many reasons small businesses are opened and exist is that the founder/owners are genuinely interested in, or have a passion for, what the store does. The owner/founders are probably runners themselves, as are probably the salespeople. This would make sense: because *SP* sponsors running events, the staff would need to be knowledgeable about running and enjoy being at running events.

Brand Loyalty: Events, passion, social connections and community, all these would create a branded identity for *SP*, even if selling products with their own brand names (*Nike, Adidas, Puma, etc*), and build loyalty. This is also true of giving special discounts to school-aged children. After buying shoes at *SP* when young, possibly initially because of the discounts, these children runners would join the *SP* community, be grateful for past discounts and ongoing events, and continue to patronize *SP* by buying their shoes, even if more expensive.

Research: Running clinics allow *SP* to work with its customers actually in the context of their use of its products. This way, *SP* staff can dialogue with customers to learn about their interests and wants. In certain respects, running clinics are like focus groups, but in some ways even better.

Accept any other relevant reasons and explanations.

Mark as 3+3.

Award [1] for each reason identified, award [1] for explaining the reason, and [1] for an explanation of the reason in context of the stimulus. Award up to a maximum of [3] per reason.

If the reason is not framed in terms of a specific business concept with appropriate use of business vocabulary, award a maximum of [2] per reason if the reason is relevant and well developed. For a basic “common sense” answer with little development and virtually no use of business vocabulary, award a maximum of [1] per reason.

(c) Analyse the role of *SP*'s vision statement.

[5]

In general, the characteristics of a good vision statement include:

- clarity
- brevity
- abstract and challenging
- tells the organization's purpose
- future-oriented
- provides a goal
- implies a framework for strategic planning (and, thus, a framework for measurable goals, though such measurable goals would not be in the vision statement)¹.

Vision statements have as their intended audience all stakeholders in the business, not just customers and employees. *SP*'s vision statement – “Running sustains life, locally and globally” – contains some of the qualities of an effective vision statement, but many are missing. It is clear, brief, abstract and, in some ways, challenging, and could well have some resonance with all stakeholders. However, it does not tell the purpose of *SP*, it is not future oriented, and has no explicit or implicit goal, and, thus, provides no direct or indirect framework for strategic planning. In many ways, “Running sustains life, locally and globally” is more like a slogan, not unlike *Campbell's* Soup's® slogan several decades ago: “Soup is Good Food”. That slogan was selling soup, not *Campbell's* soup, and was eventually dropped. *SP*'s vision statement is similar: it is selling running, not entering the running community of *SP*, or buying shoes at *SP* because its customers get so much more than just shoes.

The attributes of a good vision statement will vary from author to author, though in general most such lists share the characteristics listed above. Candidates should have some knowledge of precise attributes of an effective vision statement and refer to them, either in some form of list or embedded throughout their response.

Accept any other relevant analysis.

N.B. *in the context of this question, balance means that candidates address both the strengths of *SP*'s vision statement and some of its weaknesses.*

Marks should be allocated according to the markbands on page 3.

¹ Kelly Burke, “*Characteristics of a Good Vision Statement: integrated and paraphrased from various sources including the Academic Leadership*”, University of Hawaii HILO, Strategic Planning Committee Paper 07/11, January 12, 2011. Retrieved from http://hilo.hawaii.edu/strategicplan/documents/SPC_07_11_vision_characteristics.pdf , 6 July 2014.

- (d) Advise the local authorities as to whether permission for SP's "Race to the Top" should be refused.

[7]

The "Race to the Top" event has both advantages and disadvantages for the local community, whose interests the local authorities are to serve. The main advantage is that it is a major local event that attracts large numbers of people, garners media attention, and, we can reasonably infer, promotes the local economy and fosters community spirit, at least among the running community. It is SP's "flagship" event, thus benefitting one local business. By supporting the event, the local authorities would appear "business friendly," which could attract other businesses to the Santa Fe area. In turn, new businesses strengthen the economy. A virtuous cycle of growth can be fostered.

The negatives include the negative attention the event garners from pressure groups worried about the image of Native Americans and about the environment around Starvation Peak. Some people are more concerned about these types of issues than economic growth, and local authorities have a responsibility to everyone in the community, not just businesses. Because the event is so big, probably attracting local TV crews, pressure groups probably stage protests onsite and get media attention. Given that more and more people are focused on sustainability, the fact that the "Race to the Top" event does some damage to the local environment may cast local authorities in a bad light if they support the event.

There is no "correct" answer to this question. Candidates may be for or against "Race to the Top". What matters is the degree to which they support their position, provide a balanced argument, use business concepts and vocabulary, and have a conclusion with sustained judgments.

Accept any relevant answer.

If the response is a one-sided relevant approach with no discussion, award a maximum of [4]. One-sided means that the candidates only recommends that the "Race to the Top" event should be stopped with no discussion of what benefits SP derives from it OR is only in favour of the event with no discussion of the disadvantages and negatives of hosting the event. To earn a mark in the top markbands [5, 6, or 7], a candidate must have a balanced response with a supported conclusion.

Marks should be allocated according to the markbands on page 4.

4. (a) Identify **one** opportunity and **one** constraint for companies caused by demographic change.

[2]

Possible opportunities include:

- To replace workers. Some companies, in countries with ageing populations might otherwise have great difficulty finding replacement employees, who can be recruited from countries with more young people.
- To lower costs of salaries or wages by replacing older workers with younger workers (who in many contexts will have lower salaries than retiring employees).
- To have “new blood,” as younger employees with new innovative ideas join companies.
- To diversify the workforce, which leads to greater creativity.
- Homogenous workforces experience lesser misunderstanding and conflict in the workplace.

Possible constraints include:

- Cost of recruiting workers from other countries.
- The lack of experience of younger workers recruited from countries with large numbers of young people.
- Loss of experience, depth of knowledge, and wisdom about the company.
- Though homogenous workforces experience lesser misunderstanding and conflict in the workplace, such workplaces are less creative and innovative.

N.B. though the content of the question suggests an opportunity and constraint with respect to human resources, candidates may approach the question differently. Doing so is fine as long as the response is relevant and makes sense. For example, because of an ageing population, an opportunity may exist if the company revises its marketing mix and starts to target an older population.

Accept any other relevant opportunity or constraint.

Mark as **1+1**. Award a maximum of **[2]**.

- (b) Comment on **one** potential communication problem for a company with a diverse international workforce.

[2]

Communication problems for a company can exist at a number of levels due to a diverse international workforce and include:

- Differing levels of competence in the language of the business (English in an English or American company, French in a French company, Japanese in a Japanese company, *etc*). A problem here is when one employee cannot decode a basic verbal message, whether written or spoken, or cannot communicate sufficiently well in the company's language of business to provide precision and subtlety.
- Different cultural meanings even when the words have been properly decoded. In some cultures, to say "The meeting starts at 2:00pm" means it starts at exactly 2:00pm. In other cultures, the same message means around 2:00pm.
- Different meanings attached to various types of non-verbal communication (hand gestures, bowing, hand-shaking, *etc*). In a diverse workforce, someone can make a hand signal and, without intending to, give offense at someone from another culture where such a gesture has negative connotations.
- Companies that engage in international recruitment are probably multinationals, and communication could have problems due to the mechanics of international communication: time zones, reliance on different telephone companies and internet providers, *etc*.

Accept any other relevant communication problem.

N.B. *remember that the question is about communication, not agreement or decision-making. A response such as "a diverse workforce may have difficulty agreeing because of different values / backgrounds / cultures" is not addressing the issue of communication per se, which is what the question requires.*

Award [1] for identification of a communication problem and [1] for some relevant commentary thereon. Award a maximum of [2].

- (c) Explain the statement “difficulties in meeting operational objectives of recruitment prevent many companies from meeting their strategic objectives”.

[4]

Organizations have tiers of objectives: strategic objectives are long-term and the fate of companies usually depends on wise strategies. Below strategic objectives are tactical (medium-term) and operational (short-term). Even though operational objectives are of less gravitas than strategic – and typically are made by middle and lower managers of a company – failure to meet them can weaken a business’s performance significantly. In the case of the stimulus, “difficulties in meeting operational objectives of recruitment, prevent many companies from meeting their strategic objectives” means that some companies have a strong long-term vision in terms of their marketing mix and their ability to bring it properly to the market provided that they can recruit and retain the right quality and quantity of workers and employees. In some cases, companies with an otherwise very sound vision cannot find the right employees which compromises the business’s ability to meet their long-term (strategic) objectives.

*Award **[1]** if the candidate shows an understanding of strategic objectives and **[1]** if the candidate shows some understanding of tactical and/or operational objectives. Award an additional **[1–2]** for application to the stimulus: providing a precise explanation of the statement in the question. Award a maximum of **[4]**.*

- (d) Analyse **one** strategy that a global company could adopt for developing future human resources (you may refer to a global company that you have studied). [5]

The major options for developing a plan for future human resources include those listed below.

- Analysing current employees supply (skill and number).
- Analyse number and skills of locally available labour (in the different local contexts where the company operates).
- Forecasting demand for employees based upon:
 - estimates of mid and senior managers (the number of employees that will be needed)
 - estimates of labour turnover
 - past experiences
 - the skills that will be needed
 - worker productivity.
- Developing a program for internal recruitment.
- Developing training programs.
- Developing a program for external recruitment:
 - local
 - national
 - international.

Accept other relevant options.

Candidates should discuss at least one of the options above in some depth or discuss two in lesser depth. To receive more than [3], candidates must show balance. In this context, balance means the strengths and limitations of the approach adopted.

Though, in practice, most global companies are going to rely on some combination of all of the approaches, some companies try very hard to be known in the market for certain types of human resources.

- For most of its history *NationsBank* (now *Bank of America*) was famous for recruiting internally for mid-level and senior positions. As a result, many talented people wanted to work there because they knew they would have opportunities to be promoted, gain more responsibility, and make more money. A drawback to this approach is that sometimes promoted employees could not perform in their new roles, whereas an externally recruited senior person might have fared better.
- *Qatar Airways* very consciously recruits externally and globally. The airline is trying to be a global company, and wants its employees to be from around the world. A drawback to this approach is that it is expensive, many problems of language and communication can occur, and diverse workforces sometimes can have conflicts based upon cultural differences.
- Very large companies with huge workforces, like *ExxonMobil*, *Walmart*, and large auto manufacturers often forecast demand for future employees using all of the techniques noted above. Because they have such huge numbers of employees, statistical modelling and quantitative analysis can work with a high degree of reliability. However, no company can know the future, and all of the methods used for forecasting future employees can fail because of changes in the company's fortunes, unexpected political factors, and changing technologies.

Accept any other relevant analysis.

Marks should be allocated according to the markbands on page 3.

(e) Discuss the significance of changes in international labour mobility.

[7]

The significance of changes in international labour mobility include:

- More workers/people are able to find work that matches their skill set and ability.
- More companies are able to fill positions with appropriate personnel.
- Managers and shareholders may welcome immigrant workers, who fill crucial voids.
- People may resent immigrants taking jobs.
- Young emigrants moving for work lose contact with their home cultures.
- Many rural areas are losing young people who move to cities in search of work.
- Workplaces and cities are becoming diverse, which fosters creativity.
- Diversity increases the likelihood of cultural conflict.
- Emigrant workers often find economic opportunity.
- Emigrant workers are often separated from their families and often lack political rights in the country to which the move.

Accept other relevant implications of changes in labour mobility.

A [7] response would consider at least two positive outcomes of changes in labour mobility and two negative or challenging outcomes of changes in labour mobility and have a conclusion or judgment. If less than two positives or less than two negatives, award a maximum of [5]. If the candidate discusses two or more positive outcomes of changes in labour mobility and two or more negative or challenging outcomes of changes in labour mobility, but does not have a conclusion or judgment, award a maximum of [4].

Marks should be allocated according to the markbands on page 4.

5. (a) Define the term *product portfolio*. [2]

Product portfolio refers to the variety or range of products/services or the particular mix of products/services offered by a business. Businesses usually have a variety of products in order to spread risks or attract more target markets.

Candidates are **not** expected to word their definition **exactly** as above.

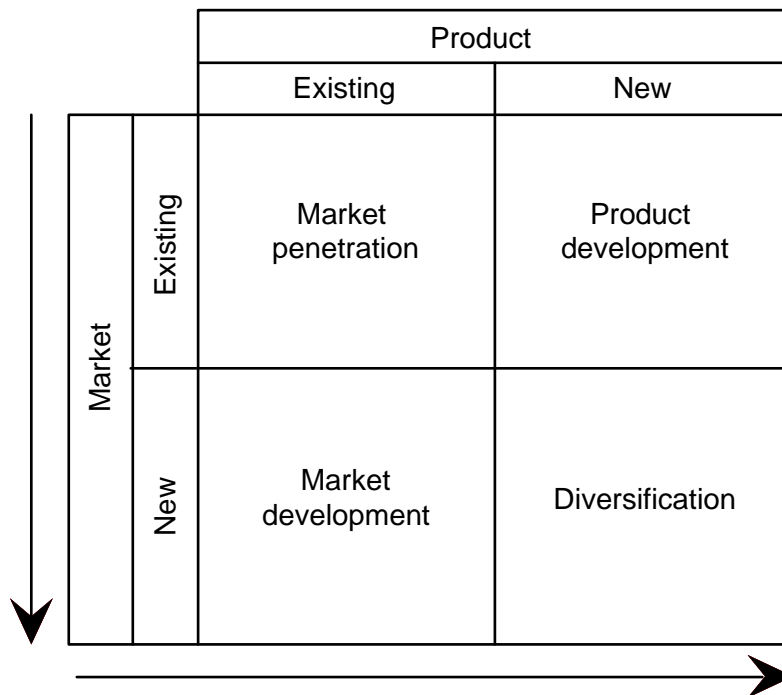
Award **[1]** for a basic definition that conveys partial knowledge and understanding.

Award **[2]** for a full, clear definition that conveys knowledge and understanding similar to the answer above.

For **only** a relevant: example **or** application to the stimulus award **[1]**.

- (b) (i) Draw and label all elements of the Ansoff matrix. [2]

The Ansoff matrix is a tool used to identify possible growth strategies, according to the product (is it existing or new?) and the market (is it existing or new?). It is represented as follows:



Award **[1]** if the candidate produces something indicating some idea of what the Ansoff matrix is but with one or more error. Award a maximum of **[2]** for a correctly drawn and labelled Ansoff matrix.

- (ii) Explain **one** advantage and **one** disadvantage for *Coca-Cola* in India of using the Ansoff matrix as a decision-making tool.

[4]

Advantages of using the Ansoff matrix include:

- provides an analytical framework for making strategic marketing decisions.
- highlights the various degrees of risk associated with strategic direction of marketing.
- once a quadrant of the matrix is identified, it points to marketing tactics that can be used.

Disadvantages of using the Ansoff matrix include:

- like all analytical tools, it is only a tool and may be misused.
- it tends to simplify a complex problem, sometimes too much.
- It cannot predict actual events and, thus, can be misleading.

Accept any other relevant advantage/disadvantage with an explanation.

N.B. *something conceptually equivalent to the own figure rule (OFR) has to be used here if the candidate gets 5(b)(i) wrong by drawing the wrong decision-making tool but then, in 5(b)(ii) accurately or partially explains an advantage or disadvantage of the tool the candidate has used.*

Mark as 2+2.

Award [1] for identification of an advantage/disadvantage and an additional [1] for its explanation. If no reference is made to Coca-Cola in India, award a maximum of [2].

- (c) With reference to *Coca-Cola*, analyse the role played by multinational companies in the global business environment.

[5]

The role of multinational companies (MNCs) in the global business environment is mainly seen in terms of economic activity. They contribute to economic development as they invest in countries around the world (*eg* when *Coca Cola* entered India, it brought capital (a factor of production) into the Indian economy). Through outsourcing, they create employment (*eg* *Apple's* outsourcing to China brings employment to millions in China). However the role of MNCs is also criticized as they contribute to the standardization of products (*eg* *Johnson & Johnson* sells the same soaps and baby shampoo all around the world) and are sometimes accused of unethical practices (*eg* “sweatshops” factories in Vietnam manufacturing goods for companies such as *Nike*).

Accept any relevant analysis.

If the response is generic, award a maximum of [3].

Marks should be allocated according to the markbands on page 3.

- (d) Discuss the costs **and** benefits to *Coca-Cola India* of e-commerce.

[7]

Some of the benefits that e-commerce may bring to *Coca-Cola India* include the following:

- A reach to a wider customer base, making more sales possible (eg party orders) since an online order is taken and home delivery made.
- Comfort and convenience building brand loyalty, exploring the benefits of shopping through mobile and internet networks is widely growing across the globe.
- If e-commerce is to be added to an already functioning organization of such a high scale, the cost of buying the technology is usually not very high.
- Transaction costs are relatively low.
- There is no issue with customers being put off by the intangibility of buying this product over the net, since this merchandise does not require sensory perceptions or experience during the purchase process, and customers already know what to expect.
- *Accept any other relevant benefit.*

However, some of the costs to *Coca-Cola India* include:

- Security issues – consumers have many concerns over privacy and security when dealing with online businesses, credit/debit card numbers may be stolen; personal information may be hacked.
- Costs of setting up the technology and systems.
- *Coca-Cola India* will have to set up distribution channels assuring deliveries at all hours, often there may be lean periods where orders are less compared to weekends and festive periods.
- Some hostility may develop among *Coca-Cola India* and retailers and supermarkets as they may fear losing larger orders to the online store run by *Coca-Cola India*.
- *Accept any other relevant cost.*

Accept any relevant discussion.

*To achieve the top markband, both the costs **and** benefits need to be discussed. If the response is one-sided, award a maximum of [4].*

Marks should be allocated according to the markbands on page 4.
