



# **MARKSCHEME**

**November 2000**

**BUSINESS AND ORGANISATION**

**Higher Level**

**Paper 1**

**1. Explain the following terms using examples from the case study:**

- (a) product positioning** *[2 marks]*
- (b) economies of scale** *[2 marks]*
- (c) division of labour** *[2 marks]*

**(a) Product positioning**

The marketing position of a brand relative to its competitors *e.g.* Supersumu is affordable/reliable; Susumupop is affordable/reliable and colourful for children.

Award *[1 mark]* for definition and *[1 mark]* for an appropriate example up to a maximum of *[2 marks]*.

**(b) Economies of scale**

Falling unit costs as output rises *[1 mark]* *e.g.* at Susumu it is hoped that marketing economies can be achieved by focusing on fewer brands, and using global advertisements rather than advertisements for each country. *[1 mark]*

Award *[1 mark]* for definition and *[1 mark]* for an appropriate example up to a maximum of *[2 marks]*.

**(c) Division of labour**

Breaking a job down into small, repetitive fragments, each of which can be done at speed by workers with little formal training. This allows the firm to hire labour cheaply, who then specialise in an unskilled task *e.g.* Susumu hire workers to produce standardised components of a pen.

Award *[1 mark]* for definition and *[1 mark]* for an appropriate example up to a maximum of *[2 marks]*.

2. (a) **Explain the concept of a global marketing strategy and assess the potential benefits for a multinational company.** [3 marks]

A global marketing strategy adopts a single marketing position in every country where the product is produced and sold. The producer benefits from economies of scale in production (uniform products) and probably from advertising that can be used globally. Production can be rationalised saving costs.

*Level 1 [3 marks]:* candidate accurately explains the concept of global marketing and assesses the benefits from its adoption.

*Level 2 [2 marks]:* candidate attempts to explain both global marketing and benefits but one of these may be limited or inaccurate.

*Level 3 [1 mark]:* candidate produces an answer with evidence of understanding but no development of ideas.

- (b) **Analyse why the global approach adopted by Susumu failed in every country except the United Kingdom.** [3 marks]

*Level 1 [3 marks]:* candidate recognises that the new global approach coincides with the existing market approach in the UK of a reliable and affordable disposable pen and that in Norway, Japan and the United States the brand image and position is different. In particular, those countries where the pen is perceived as expensive and refillable, the new 'down-market' pen will not sit well with existing marketing, image and customer base and sales will be adversely affected.

*Level 2 [2 marks]:* candidate recognises that the new global approach coincides with the UK, but may not examine the problem in the other centres in any depth and/or fails to use appropriate marketing terminology.

*Level 3 [1 mark]:* candidate produces a limited response.

3. (a) Compare the performance of Susumu for the 6 months period ending September 1997 (Figure III) with the previous 6 month period ending March 1997 (Figure II), using *three* financial ratios calculated for both periods. [3 marks]

Ratios could include:

	<u>March 1997</u>		<u>September 1997</u>
$\frac{\text{NP}}{\text{Sales}}$	$\frac{\$2150}{\$200\,000} \times 100 = 1.075\%$		$\frac{\$1850}{\$180\,000} \times 100 = 1.03\%$
$\frac{\text{NP}}{\text{Total Capital Employment}}$	$\frac{\$2150}{\$2650} \times 100 = 81\%$		$\frac{\$1850}{\$2650} \times 100 = 70\%$
Sales per employee	$\frac{\$200\,000}{135} = \$1481.5$		$\frac{\$180\,000}{135} = \$1333.3$
Profit per employee	$\frac{\$2150}{135} = \$15.92$		$\frac{\$1850}{135} = \$13.70$

Candidates might calculate these for individual countries.

Financial Ratios  
March 1997

	UK	Norway	Japan
$\frac{\text{NP}}{\text{Sales}}$	$\frac{400}{40000} \times 100 = 1\%$	$\frac{900}{60000} \times 100 = 1.5\%$	$\frac{850}{100000} \times 100 = 0.85\%$
$\frac{\text{NP}}{\text{Total Capital employed}}$	$\frac{400}{450} \times 100 = 89\%$	$\frac{900}{1000} \times 100 = 90\%$	$\frac{850}{1200} \times 100 = 70.83\%$
Sales per employee	$\frac{\$40000}{30} = \$1333.3$	$\frac{\$60000}{45} = \$1333.3$	$\frac{\$100000}{60} = \$1666.67$
Profit per employee	$\frac{400}{30} = \$13.33$	$\frac{900}{45} = \$20$	$\frac{850}{60} = \$14.17$

September 1997

	UK	Norway	Japan
$\frac{NP}{Sales}$	$\frac{400}{40000} \times 100 = 1\%$	$\frac{700}{50000} \times 100 = 1.4\%$	$\frac{750}{90000} \times 100 = 0.83\%$
$\frac{NP}{Total\ Capital\ employed}$	$\frac{400}{450} \times 100 = 89\%$	$\frac{700}{1000} \times 100 = 70\%$	$\frac{750}{1200} \times 100 = 62.5\%$
Sales per employee	$\frac{\$40000}{30} = \$1333.3$	$\frac{\$50000}{45} = \$1111.1$	$\frac{\$90000}{60} = \$1500$
Profit per employee	$\frac{400}{30} = \$13.33$	$\frac{700}{45} = \$15.55$	$\frac{750}{60} = \$12.5$

The ratios confirm the falling sales and profitability in Norway and Japan. The Net Profit margin for both years is low, but the Return on Capital Employed is relatively high, but falling. The efficiency of employees measured in profit and sales is declining.

**Level 1 [3 marks]:** candidate correctly calculates six ratios and makes appropriate comments on the changes.

**Level 2 [2 marks]:** candidate calculates at least three ratios but may make one or two errors, if two errors are made there must be a good comparison. Or candidate correctly calculates four ratios but does not comment on the performance. Or candidate makes a good comparison without calculating ratios.

**Level 3 [1 mark]:** candidate makes two errors with no comments (three errors should receive no reward).

(b) **Comment on how this information will be useful to the management of Susumu.**

[3 marks]

The information will confirm the lack of success of James Wong's global policy. Managers may use the information to identify problems, make forecasts and plan operations. Susumu may have to cut costs, particularly labour costs.

**Level 1 [3 marks]:** candidate makes lucid comments about what the information shows and how management will use the information.

**Level 2 [2 marks]:** candidate comments on the information and use, but in general terms.

**Level 3 [1 mark]:** candidate makes generalised comments on either the information or its use.