

GCE

Business

Unit **H431/01**: Operating in a local business environment

Advanced GCE

Mark Scheme for June 2017

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

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Annotations

BP	Blank page
	Tick
	Cross
NAQ	Not answered question
OFR	Own Figure Rule
BOD	Benefit of Doubt
REP	Repeat of earlier point or repetition of case study
SEEN	Noted but no credit given
TV	Too vague
	Unclear
K	Knowledge
APP	Application of knowledge (context)
AN	Analysis
E	Evaluation
EE	Effective evaluation

Subject-specific Marking Instructions**INTRODUCTION**

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

Levels of response – Generic Level descriptors

	Knowledge and understanding/ Application	Analysis	Evaluation
Strong		An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
Good	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.

Reasonable	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
Limited	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these three or four marks.

The descriptions in each levels of response question in this mark scheme describe a typical response at the top of that level.

USING THE MARK SCHEME

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co-ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co-ordination scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

INSTRUCTIONS TO EXAMINERS:

A INDIVIDUAL ANSWERS

- 1 The indicative content indicates the expected parameters for candidates' answers, but be prepared to recognise and credit unexpected approaches where they show relevance.

- 2 Be prepared to use the full range of marks. Do not reserve high band marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

B TOTAL MARKS

- 1 The maximum mark for the paper is **80**.
- 2 The quality of extended responses is assessed in parts of this paper. The assessment of this skill is embedded within each of the levels.

Question	Answer	AO	Rationale
1	C	1	(a) In batch production, the production line is stopped to change to a different batch. (b) In cell production, the work passes from team to team until the finished goods are produced. (c) Correct answer: only flow production would permit continuous operations. (d) In job production items are made individually, usually to order.
2	C	1	(a) This is economic growth, or an individual firm increasing production. (b) Market share is the proportion of the market which a firm supplies. It may increase due to a fall in market size. (c) Correct answer: total demand increases. (d) A dominant firm, or fewer firms, in the market has no direct link to market growth.
3	B	2	(a) Candidate erroneously divides by £66, therefore $4,000,000/£66 = £60,606$. (b) Correct answer: $4,000,000 \times £0.66 = £2,640,000$. (c) Candidate divides rather than multiplies by £0.66, therefore $4,000,000/£0.66 = £6,060,606$. (d) Candidate multiplies by £66 rather than £0.66, therefore $4,000,000 \times £66 = £264,000,000$.
4	D	2	(a) Hire purchase would be used for the acquisition of fixed assets. (b) A mortgage can only be used to finance a building or premises. (c) A business which trades as a partnership cannot sell shares. (d) Correct answer: buy now pay later is the most appropriate way to purchase stock.
5	A	1	(a) Correct answer: this would calculate working capital. (b) This is the standard way to calculate profit. (c) This is the way profit is calculated in an income statement. (d) This a way to calculate profit using contribution and margin of safety.
6	A	1	(a) Correct answer: 'Buyer power' is one of Porter's Five Forces. (b) Is an economic change, but not one of Porter's Five Forces. (c) Similar to one of Porter's forces 'intensity of rivalry' but this refers to competitive rivalry. (d) Is not one of Porter's forces, but is another 'force' nonetheless.
7	C	2	(a) $12/60$ calculated correctly, but not multiplied by 100 for a percentage. (b) Administration department not included and not multiplied by 100 for percentage. (c) Correct answer: $12/60 \times 100 = 20\%$. (d) $12/50 \times 100 = 24\%$, Administration department ignored since no one left.

Question	Answer	AO	Rationale
8	D	2	(a) Candidate does not multiply the variable costs per unit by estimated output. (b) Candidate multiplies the variable costs per unit with 400 rather than 450. (c) Candidate uses the correct output figure but does not apply the percentage increases. (d) Correct answer: $(3000 \times 1.05) + (20 \times 1.1) \times 450 = \text{£}13,050$.
9	B	2	(a) Despite being a convenient method, this is not convenience sampling. (b) Correct answer: taking 10 from each, with or without any stratifying, is a quota. (c) Despite selecting 10 customers at random this is not random sampling. (d) Systematic sampling would ask every nth person.
10	B	1	(a) Locke concludes that the most important factor in goal setting is setting specific goals. (b) Correct answer: goals need to be clearly understood, complexity is not a requirement. (c) Goals need to be challenging but realistic. (d) Vague goals do not effectively motivate, goals must be clear.
11	D	2	(a) Diversification is offering a new product in a new market. (b) Market development is offering the same product in a new market. (c) Market penetration is selling more of the same product in the same market. (d) Correct answer: the retailer is selling a different product but to the same market.
12	B	2	(a) Candidate correctly calculates £2000 variance but erroneously divides by £17,000. (b) Correct answer: budgeted = $\text{£}5000 \times 3 = \text{£}15000$ per quarter, actual £17,000. $\text{£}2000/\text{£}15,000 \times 100 = 13.33\%$, worse than expected so adverse. (c) Correct calculation but thinks the variance is favourable rather than adverse. (d) Candidate incorrectly multiplies by 4 rather than 3, calculating the budgeted figure to be £20000 and the variance to be £3000.
13	A	1	(a) Correct answer: a strategic alliance involves businesses co-operating on a specific project whilst remaining entirely separate businesses. (b) Outsourcing is an arrangement where one company provides services for another. (c) Trade liberalisation refers to the reduction of international trade barriers. (d) Value analysis seeks to balance function, cost and aesthetics of a product.
14	B	1	(a) Increased business risk is not a benefit. (b) Correct answer: political stability increases economic certainty, allowing a business to plan more effectively.

Question	Answer	AO	Rationale
			<p>(c) Reduced buyer confidence is not a benefit.</p> <p>(d) Reduced corporate investment is not a benefit.</p>
15	D	1	<p>(a) All incorrect, possible confusion with DAGMAR which contains advertising and results.</p> <p>(b) 'Trial' correct, the rest possibly confused with DAGMAR.</p> <p>(c) 'Awareness' and 'repurchase' correct, 'targets' incorrect.</p> <p>(d) Correct answer: awareness, trial, repurchase.</p>

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Question	Answer	Marks	Guidance
16	<p>Will produced a very detailed business plan and it helped him to gain the finance he needed to start WFC. <i>Other than helping with raising finance, analyse one likely advantage to Will of producing a detailed plan for the start-up of his business.</i></p> <p>Level 2 (6-4 marks) – Candidate shows good knowledge and understanding and shows good analysis of an advantage to Will of drawing up a business plan.</p> <p>Level 1 (3-1 marks) – Candidate shows limited knowledge and understanding with limited or no analysis of an advantage to Will of drawing up a business plan.</p> <p>(NB – award one mark for a non-contextualised answer)</p> <p>0 marks – no response or no response worthy of credit.</p> <p><i>[As per page 2 of this mark scheme, if a candidate clearly begins to consider a second advantage, without the first being crossed out, this should not be rewarded any additional marks]</i></p>	<p>6 (AO1 1) (AO2 2) (AO3 3)</p>	<p>Will’s plan may have included issues (other than finance) such as:</p> <ul style="list-style-type: none"> • The objectives of the business (tactical and strategic) • HRM • The target market and the products to be sold, the USP, the marketing strategy etc. <p>NB: Allow references to the business as a whole or individual areas</p> <p>Accept answers analysing advantages along the lines of:</p> <ul style="list-style-type: none"> • It forced Will to consider what to do in terms of all aspects of the business’ operations – and to do so in an holistic way. This was very important as he had never run his own business before and so doing this would be likely to reduce the risk of failure (which has indeed proved to be the case). • It forced Will to consider what objectives he wanted to achieve – and by when. The plan gives WFC a sense of direction. Without objectives the newly started business could ‘drift’ dangerously with no means of checking progress and increasing the chances of failure. Indeed, without objectives how would Will judge if he had ‘succeeded’? • It forced Will to consider the constraints on the business in reaching his chosen objectives. This would have led to some form of risk analysis of what could go wrong. In turn, this would have forced Will to undertake contingency planning. This means that he would have anticipated the likely pitfalls and have measures in place to deal with them rather than simply ‘firefighting’ when they occur. The constraint might well have included an honest assessment of his weaknesses/limitations as

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			<p>someone who has not run a business before this would then (as above) have led to a consideration of how to overcome these.</p> <ul style="list-style-type: none"> • Stakeholders may want to see it such as suppliers and potential employees - to ensure that they are likely to get paid. Without this ‘proof of intention’ crucial supplies of materials and labour would not have been forthcoming and WFC would ‘never have got off the ground’. <p style="text-align: right;">ARA</p>
17	<p>During the writing of the business plan, Will had to consider a number of legal factors (Line 23). Analyse one legal factor which might affect the operation of WFC.</p> <p>Level 2 (7-4 marks) – Candidate shows good knowledge and understanding and shows good analysis of one legal factor that might affect the operation of BFL.</p> <p>Level 1 (3-1 marks) – Candidate shows limited knowledge and understanding with limited or no analysis of one legal factor that might affect the operation of BFL.</p> <p>(NB – award one mark for a non-contextualised response)</p> <p>0 marks – no response or no response worthy of credit.</p> <p><i>[As per page 2 of this mark scheme, if a candidate</i></p>	<p>7 (AO1 1) (AO2 2) (AO3 4)</p>	<p>The specification mentions three areas:</p> <p><u>1 Laws governing the relationship between businesses.</u> Contract law – the nature of a contract; a legally binding document between two parties. Who are these likely to be in Will’s case? What might happen if he breaks this? (See below as to implications of being a sole trader). Competition law – preventing business conspiring to limit competition. The market is very competitive.</p> <p><u>2 Laws protecting the consumer</u> E.g. Sale of goods Act (product must be fit for purpose), Trade Descriptions Act (e.g. If fish is advertised as cod it has to be cod). Allow references to food preparation. Reference is made in the case to the requirement for employees to possess the Food Hygiene Certificate – which Will pays for. Opportunity cost of this?</p> <p><u>3 Laws governing the treatment of employees</u> Health and safety - Handling raw food, use of potentially dangerous machinery, lifting (e.g. sacks of potatoes). Training implication and cost of this in terms of time/opportunity cost. Employment law - Important as there is no HRM department at</p>

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	<i>clearly begins to consider a second advantage, <u>without the first being crossed out</u>, this should not be rewarded any additional marks]</i>		<p>WFC to ‘sort out’ these issues. Needs to be aware of the legislation on recruitment, discrimination, dismissal. Also needs policies if a potential employee wants to see them and to avoid issues escalating. Time issues/opportunity cost? It is unlikely that a business like this would have a problem that would ever escalate to a nationally publicised and vastly expensive tribunal case but an employment dispute may generate negative publicity in the local paper that his target market will see – exactly the sort of thing that he would want to avoid for fear of it damaging reputation/sales/profit</p> <p><u>Other</u> If a legal issue arises, say, over health and safety or dismissal and it becomes difficult and expensive, Will would be personally liable for any compensation as a sole trader. In law, Will has personal responsibility for the business’ debts. In fact, this means he needs to be very careful about the legal implications of <i>any</i> decisions he makes and how he runs the business.</p> <p style="text-align: right;">ARA</p>

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18*	<p>The years following the 2008 recession were difficult but the bank of England’s decision to keep the UK interest rate very low helped WFC. Evaluate how a fall in the UK interest rate could affect WFC.</p> <p>Level 3 (15-11 marks) – Candidate shows strong knowledge and understanding, analysis and evaluation of the likely impact of a fall in interest rates on WFC. <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 2 (10-6 marks) – Candidate shows good knowledge and understanding, analysis and evaluation of the likely impact of a fall in interest rates on WFC. <i>There is a line of reasoning presented with some structure. The information presented is in the most part relevant and supported by some evidence.</i></p> <p>Level 1 (5-1 marks) – Candidate shows limited knowledge and understanding of a fall in interest rates with limited or no analysis and evaluation of the likely impact of a fall in interest rates on WFC.</p> <p>NB – award maximum of two marks for non-contextualised impacts.</p> <p>0 marks no response or no response worthy of credit.</p>	<p>15 (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>Allow references to both WFC in 2008 when it had just started (and so the low rate might have helped ensure survival and eventually growth) and the present.</p> <p>Falls in the interest rate have a two-pronged effect - through the effect on customers and on the business via payments on loans.</p> <p>Anyone with a mortgage or other loan will now pay less interest on it and so will have more money to spend on other purchases. How likely is this to be on fish and chips? (Allow references to income elasticity of demand since it is a change in ‘discretionary’ income.). The case makes reference to the uncertainty of whether fish and chips is a ‘luxury’ or not. If it is, then the rate fall should increase demand.</p> <p>Should Will be advertising more to ensure that the increase in discretionary/disposable income is spent on his products? The historically low rate of interest for households following the recession has effectively ensured that many people have been able to ‘weather the recession’, maintain a degree of consumer confidence and ‘keep spending’ – some of which will have been on fish and chips at WFC.</p> <p>The case makes reference to Will having to take out a loan when the business started. Now, like households, when rates fall WFC pays less on its debts (unless Will signed up to a fixed rate deal in which case the business will not benefit).</p>

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			<p>A fall in the rate therefore lowers the business' fixed costs and should therefore contribute to a rise in profits. Will could presumably continue to (over)pay interest at the old rate/amount and reduce the capital sum owing. This would benefit WFC/him in the longer term. If borrowing money is now cheaper, would it be a good time to invest in new capital equipment for the shop (fryers, fridges etc.)?</p> <p>Candidates could also consider how changes in the rate of interest affect the sterling exchange rate through 'hot money' (detailed knowledge not required). If the rate of interest falls, driving down the exchange rate this increases the cost of imports. Perhaps some of Will's fish and other products are imported. What proportion? How significant a rise in costs would this be?</p> <p>Is any of WFC's capital equipment bought from abroad? If so then a fall in the rate may put Will off a purchase that he was intending to make.</p> <p>Of course, much depends on the extent and duration of any change in the rate. A fall from 4% down to 2% is quite significant whereas if the rate was at 1% and fell to 0.5% this would be less significant even though it is true that 'the rate had fallen'. Duration is important too. If the rate fell from 3% to 1% this would be a large 'jump' given that rates usually only change by 0.25% at a time. This could be expected to have quite an impact on spending. However, if the 1% rate was only maintained for a couple of months before falling back this would probably not have a huge impact.</p> <p>Evaluation could be achieved by judging which effect(s) of the</p>

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	<p><i>clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 2 (10-6 marks) – Candidate shows good knowledge and understanding, analysis and evaluation of the usefulness of break-even analysis as a decision-making tool for Will in running WFC. <i>There is a line of reasoning presented with some structure. The information presented is in the most part relevant and supported by some evidence.</i></p> <p>Level 1 (5-1 marks) – Candidate shows limited knowledge and understanding of break-even analysis with limited or no analysis and evaluation of the usefulness of break-even analysis as a decision-making tool for Will in running WFC.</p> <p>NB – award maximum of two marks for non-contextualised impacts.</p> <p>0 marks no response or no response worthy of credit</p> <p>NB: Accept answers which refer to the usefulness of break-even to Will/WFC either at start up or currently</p>		<p>customers do not pay immediately. This means that although the break-even model may be predicting a certain set of results in terms of revenue and profit the cash flow issue may render this very inaccurate and indeed dangerous as a guide to running a business. The fact that the vast majority of purchases are in cash at WFC make this far less likely.</p> <ul style="list-style-type: none"> • It will enable Will to predict and produce the quantity of sales which would ensure that his total revenue covers his total costs. This is especially important as Will is a sole trader operating with a single business; there is no other branch of the firm to cross subsidise him if he makes a loss. Furthermore, as a sole trader he has personal liability for WFC's debts. • It allows planning for 'what if' scenarios. This could be useful for Will in trying to increase sales to meet his objective of increasing capacity utilisation. • The technique can be used to calculate the margin of safety for WFC and make any necessary decisions to improve it • It allows Will to calculate an appropriate selling price if he has a desired level of profit in mind. <p>Limitations of break-even analysis for Will</p> <ul style="list-style-type: none"> • Break-even assumes that the variable costs of 'a fish and chip meal' are constant. This is not the case; these costs will change depending on prices charged by suppliers. In addition, Will may be able to negotiate a bulk purchase that lowers the unit cost of the fish etc. <i>Fixed</i> costs (e.g.

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			<p>interest payments and business rates) will also change over time. This will mean that initial predictions from the analysis will be inaccurate. However even if costs change these can very quickly be factored into the model to create a new set of predictions. This hardly invalidates the benefits behind it - of Will being able to consider costs/revenue/profit/margin of safety etc. Also, it could be argued that the ability to make a really significant bulk purchase (with the aim of a huge reduction in variable costs) will be limited by the storage facilities of the shop and 'sell by' dates of the stock.</p> <ul style="list-style-type: none"> • Break-even analysis assumes that the price of the product is constant. This is clearly not the case for WFC where a customer's purchase could range from a single bag of chips to a meal for a whole family. But, how much of a limitation is this in this instance? It could be argued that it is reasonable for Will to assume that average spend, i.e. 'the price' (and indeed the same goes for the average cost) of an average/typical meal is estimable with some accuracy based on past (years of) sales data. This means that the data is likely to be reliable. • The 'standard' model assumes that putting up the price will lower a business's break-even point. Will could indeed 'play with the figures' but if he assumes that raising price will definitely lower break-even point he could be wrong. Sales may fall as consumers switch to (the many) available substitutes. Much will depend on the extent of any price increase and the loyalty of his customers. • A candidate could argue that the allocation of fixed costs

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			<p>to each and every product from chips to curry sauce would be very arbitrary and a waste of time to try to treat each product as a profit centre and then calculate a break-even level for it. Better answers may recognise this fact and will conclude that Will does not do this for those very reasons and that he regards the shop as selling a single product, ‘a fish and chip meal’.</p> <ul style="list-style-type: none"> • The model assumes that all units produced by a firm are then sold. This may well not be true in the case of WFC where demand could change because of a mundane factors such as poor weather and customers wanting food delivered rather than going out to get it - and so sales fall. The situation is worsened since some food may be prepared and then be unsold. This left-over stock cannot be refrozen and resold. The case does make reference to preparing fish and batter in small batches and this therefore presumably applies to preparation of other foods too so this may not be a major issue for WFC – especially as Will will know from past experience when demand is likely to be high/low. <p>All in all, break-even is only as useful as the numbers put into it. Candidates may argue that as long as the limitations are recognised, break-even analysis is a useful tool for Will to use ‘as a guide’ for decisions on issues such as pricing, output and sales – especially in terms of him reaching his objective of increasing capacity.</p> <p>Also, over time, the calculations will presumably become more accurate. He has been trading for ten years and so we may assume that break-even analysis has played at least some part in helping</p>

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			<p>him to get successfully established, survive and grow. It could also be recognised that break-even was more useful as a decision-making tool at the start of WFC when ‘getting things right’ was of paramount importance to survival.</p> <p style="text-align: right;">ARA</p>
20	(a)	<p>3 (AO1 1) (AO2 2)</p>	<p>5000 – 3100 = 1900 (1)</p> <p>1900/3100 (1) = .6129</p> <p>An increase of 61.29% is required (1) (Accept 61%, 61.2% or 61.3%)</p> <p>No percentage sign required</p> <p>If the candidate has calculated the correct answer but then taken it further, in an attempt to calculate a monthly increase, award three marks.</p> <p style="text-align: right;">OFR</p>
20*	(b)	<p>15 (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>The most common approach to answering the question considers WFC’s marketing:</p> <ul style="list-style-type: none"> • Appropriate advertising – i.e. in terms of the shop’s customer/potential customer base and its philosophy. Reference to the data from MK Citizen and MKFM. Use the website and any promotional material to stress awards. • Is there any point in advertising the business more widely

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	<p>increasing the turnover of the shop so that its capacity can be fully utilised by 2020. <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 2 (10-6 marks) – Candidate shows good knowledge and understanding, analysis and evaluation of a strategy for Will to reach his objective of increasing the turnover of the shop so that its capacity can be fully utilised by 2020. <i>There is a line of reasoning presented with some structure. The information presented is in the most part relevant and supported by some evidence.</i></p> <p>Level 1 (5-1 marks) – Candidate shows limited knowledge and understanding of a strategy for Will to reach his objective of increasing the turnover of the shop so that its capacity can be fully utilised by 2020.</p> <p>NB – award maximum of two marks for non-contextualised impacts.</p> <p>0 marks no response or no response worthy of credit.</p> <p><i>The answer asks for the use of both types of data. If only quantitative or only qualitative data is used, then reward the answer towards the bottom of the appropriate level.</i></p>		<p>across the whole town, given that the product does not ‘travel’ well? It could be argued that he could consider extending the ‘catchment area’ a little but not for many miles. Hence suggestions such as TV advertising would be inappropriate.</p> <ul style="list-style-type: none"> • More appropriate possibilities are local radio MKFM – especially if the ‘awards won’ were stressed. • Leaflet drops to houses within a certain radius of the shop. • Also, it is possible to have leaflets distributed <i>with local papers</i> in the target addresses; the local paper will accommodate local businesses by delivering different promotional leaflets to different target areas. • Increased use of social media. No mention of Will using it. How appropriate would (say) Facebook or Twitter be in this context? • Another issue is the likely funds that he has available to undertake the marketing. • A wider product range may be a possibility but there are some issues with this. Crucially, any new food would also have to be able to be cooked using the existing capital equipment – the objective is to utilise existing capital more fully not install new equipment at an additional cost (the case makes reference to how expensive it is). Secondly, any new food would have to fit the existing product portfolio: ‘fish and chips’ is the core product – to sell spring rolls may be ‘OK’ but to diversify and suddenly

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Question		Answer				Marks	Guidance																																		
							<p>start selling (the full range of) ‘Chinese’ or ‘Indian’ would be at odds with the image of the shop which is ‘the traditional fish and chip experience’.</p> <ul style="list-style-type: none"> There could be issues with supply. How reliable would a new supplier be? How long might it take to establish a ‘stakeholder relationship’ with mutual trust? New products would also have to fit in with the business’ philosophy - sourced locally and sustainably if possible etc. <p>Price changes Candidates do NOT have to produce a table of figures but any calculations would be valid.</p> <p>On this data, Will should cut prices to £5.50 per average meal which would raise sales by 400 meals and profit by £1500 thus helping to reach his objective of increasing the number of meals sold and moving towards capacity. <i>But how big a step forward (towards the objective) is an additional 400 meals (if price is £5.50) and an extra profit of just over £1500 per month?</i> Cutting price down to £5 certainly sells more meals and moves towards the target of 5000, but barely causes a rise in profit either (up £1431 from £4124). How accurate is the data anyway especially given that Will is dealing with averages? It could well be argued therefore that cutting prices (especially as this may be at odds with the image of ‘a quality product/experience’) is not the way forward to reaching the objective – or at best is only part of it.</p> <p>Other suggestions may include:</p>																																		
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SECTION B			
Question	Answer	Marks	Guidance
			<ul style="list-style-type: none"> • Price discrimination e.g. cheaper meals at lunchtime. This could tempt new customers (or existing ones) to buy. Would reduce the contribution per meal. Could be quite easily factored into the break-even model. However, might customers just buy the cheaper lunchtime meal for the more expensive evening one? • Loyalty scheme? How easy would this be to set up and run? Is this sort of promotion for ‘the big players’ in food retailing? What would the loyalty bonus be? Need to make it attractive enough to be worthwhile – a voucher for £5 off a meal (after a certain number of purchases) is rather more appealing than a free bag of chips. • Targeting the new developments at Campbell Park and Atterbury. Will would need to find out exactly when the developments are scheduled for completion and plan accordingly. The Campbell Park Development in Table 2 refers to “mixed development comprising mainly residences supported by shops, small businesses restaurants/cafes, hotels and leisure/non-leisure facilities”. Does this mean it will be ‘saturated’ with food outlets that Will will need to (and find it hard to?) compete with? <p>An alternative route into the question is to consider the sorts of actions that Will could take in terms of business tools’ and market research. Again, for higher marks, this needs to be in the explicit context of WFC.</p> <p>Tools could include a SWOT analysis. Other possibilities include Boston Matrix, Ansoff’s matrix, Forecasting, Product life cycle</p>

SECTION B					
Question			Answer	Marks	Guidance
					analysis. Stronger answers may consider how appropriate these are likely to be for WFC. ARA

APPENDIX 1 – GRID FOR 2017 EXAMINATION

Question	AO1	AO2	AO3	AO4	Total	Quantitative skills
Section A						
1-15	8	7 (4)	-	-	15	4
Sub-Total	8	7 (4)	-	-	15	4
Section B						
16	1	2	3	-	6	-
17	1	2	4	-	7	-
18	2	2	4	7	15	
19a	1 (1)	1 (1)	2 (2)	-	4	4
19b	2	2	4	7	15	-
20a	1 (1)	2 (2)		-	3	3
20b	2	2	4	7	15	-
Sub-Total	10	13	21	21	65	7
Total	18	20	21	21	80	11

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