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Cambridge International AS & A Level

BUSINESS **9609/42**

Paper 4 Business Strategy **February/March 2023**

MARK SCHEME

Maximum Mark: 40

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the February/March 2023 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>

Evaluate the success of S2U's marketing strategy between 2016 and 2022.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
3 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
8 marks</th><th>AO4 Evaluation
7 marks</th></tr>
<tr><td></td><td>Description</td><td>Description</td><td>Description</td><td>Description</td></tr>
<tr><td>3</td><td></td><td></td><td>7–8 marks
Developed analysis of the overall strategy that identifies connections between causes, impacts and/or consequences.</td><td>6–7 marks
Effective evaluation
A developed judgement/conclusion is made in the business context that draws together developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2–3 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>4–6 marks
Developed analysis of individual strategic element(s) that identifies connections between causes, impacts and/or consequences.</td><td>3–5 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1–3 marks
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
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No creditable response.</td></tr>
</table>

</td><td>20</td></tr>
</table>

Question	Answer	Marks
1	Responses may include: **AO1 Knowledge and understanding** Knowledge K can be awarded for any relevant business knowledge. • Knowledge of how to plan a marketing strategy (do not reward repetition of the contents of Appendix 1, but further knowledge of the elements is rewardable) • Knowledge of approaches to marketing strategy, including; the need for the marketing strategy to be consistent with the business, the product and the market, the need for and development of a coordinated marketing strategy, the development of marketing strategies that are focused towards achieving specific marketing objectives, the changing role of Information Technology (IT) and Artificial Intelligence (AI) in marketing. • Knowledge of the benefits and limitations of marketing planning. • Knowledge of factors to assess business success. **AO2 Application** Application APP can be awarded for use of S2U's context, including any elements of S2U's marketing strategy between 2016 and 2022: • S2U provides IT support to small businesses (product); creation and maintenance of websites, 24-hour telephone and internet support, remote and on-site installation of software. • International business (customers around the world). • 2016 – word of mouth promotion. • 2017 – contents of marketing plan (Appendix 2). • 2018 – promotion through Kareem (TV personality); Chanel 17 morning programme, Kareem known as expert in IT solutions. • 2018-2021 – expansion (Appendix 3); 400% increase in sales, 23% increase in market share, 900% increase in workforce, but, 4% reduction in profit margin and 26.5% decrease in customer satisfaction. • Loss of Kareem – likely loss of main promotion tool. • New CEO (Ruhi). **AO3 Analysis** (L1 AN and L2 AN and L3 AN); Analysis is likely to be based on S2U's objective in 2017 to increase sales of businesses using S2U's services (Appendix 1). • Analysis of the objective; although specific about a measure of success (number of businesses) there is no time in which the objective is to be met. The objective is measurable but too vague. The objective is perhaps too easily achievable.	

Question	Answer	Marks
1	• Lack of marketing budget – difficult to increase sales without spending on above the line marketing. • Focus on online marketing – low/zero cost promotion – however can be unpredictable and out of the businesses control. • Secondary and primary market research used may give good outline of the market and allow S2U to target the businesses which do not have a dedicated IT support system. However, lacking detail (may exist beyond the summary). • Primary research of businesses who do not currently use S2U – can this data be trusted? How was this survey completed without a budget – may lack the targeting necessary to give accurate and usable data. • Market research finding support the pricing method chosen (dynamic pricing), however a reduction in prices may reduce sales – which could lead to a fall in profit. • Nothing in the market research findings suggests that product/service is not what is required by the market – may still be successful. • Dynamic pricing may have led to reduction in profit margin between 2018 and 2021 – however still a profitable business. Allowed S2U to respond to market research that service was too expensive and allow sales growth. • Profit increased between 2018 and 2021, despite lowering of profit margin – although profit was not the objective of S2U, likely to be important especially as S2U changed ownership. • Promotion methods have obviously been effective as sales have increased – however is this due to Kareem's appearance on TV as opposed to the sales, direct and digital promotion methods used by S2U. • S2U is in the B2B market and selling directly. Marketing strategy support this and has led to sales growth. • S2U's market share has increased, this suggests that the marketing strategy has been successful, however at a cost to the profit margin. • S2U's number of IT engineers employed has more than doubled, which suggests the business has grown, but has also led to an increase in costs and may have contributed to the reduction in profit margin. However, profit has increased. • Customer satisfaction has significantly decreased. This may be a diseconomy of scale as S2U has grown rapidly – although S2U has increased their brand awareness this may not last if they develop a reputation for poor quality services. • Kareem's appearance on TV may have contributed to S2U's success between 2018 and 2021 – however this may have distracted Kareem and led to the decreasing profit margin and increased customer dissatisfaction. • Kareem's TV personality was not part of the marketing strategy from 2017 and may have been luck as opposed to good strategy. However, the loss of Kareem may mean that the strategy needs updating, especially with the decline of sales in 2022.	

Question	Answer	Marks
1	**AO4 Evaluation** (L1 EVAL and L2 EVAL and L3 EVAL); Evaluation will largely depend on the points raised in the analysis. • A judgement over the success of the marketing strategy between 2016 and 2022 • Discussion over how the success of the marketing strategy can be judgment and what that judgement could depend upon; link to the marketing objective in 2017, other measures of success for a public limited company (profitability, profit, shareholder objectives, other stakeholder objectives, measures of size). • The extent to which the success of S2U between 2016 and 2022 was based on the marketing strategy or the success of Kareem as a TV personality. • Other external influences on S2U between 2016 and 2022 other than the marketing strategy (e.g. the state of the economy; economic growth) social factors (e.g. increasing remote working), technological factors (e.g. increased use of technological communication in 2020/2021 due to the pandemic). • The extent to which S2U updated and changed its marketing strategy between 2017 (the marketing plan) and 2022. • The extent to which S2U commissioned more market research beyond 2017. • The extent to which S2U changed its market mix beyond 2017. Accept all valid responses.	

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Advise Ruhi on whether Porter’s five forces analysis is the most useful approach when developing S2U’s new business strategy.
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A developed judgement/conclusion is made in the business context that draws together developed evaluative comments which balance some key arguments in the business context.</td></tr>
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Responses may include:
AO1 Knowledge and understanding
Knowledge K can be awarded for any relevant business knowledge.

The meaning and purpose of business strategy; plan of action to achieve the vision and objectives of a business and upon which decisions are made.
The meaning and purpose of strategic management (the entire process of identifying, choosing and implementing the planning of business activity): analysis (identifying options and understanding the business, market and external environment), choice (between strategic options) and implementation (the decision making of implementing a strategic decision).
Understanding of Porter’s five forces (do not reward repetition of Appendix 4, but understanding of the forces/model is rewardable).
Other approaches to develop business strategy, including; blue ocean strategy, scenario planning, SWOT analysis, PEST analysis, core competence framework, Ansoff matrix, force field analysis, decision trees,

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</table>

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Question	Answer	Marks
2	**AO2 Application** APP • Data about from Appendix 4; – Threat of new entrants; few barriers to entry, price is more important than brand loyalty to most customers. – Bargaining power of buyers; well-informed customers, highly price sensitive. – Intensity of competitive rivalry; S2U is market leader in country Z, growing market size, many international competitors – Bargaining power of suppliers; software suppliers have monopoly power, hardware is a very competitive market – Threat of substitutes; many substitutes, little differentiation between services • S2U's sales are declining. • Kareem (previous CEO) left to pursue a TV career. Previous success of S2U may have been largely based on Kareem's success. • Ruhi has just become CEO (in 2022) after Kareem left S2U. • Ruhi has asked an external management consultant business to analyse the market. • New business strategy needed to enable growth. **AO3 Analysis** Analysis for the usefulness of Porter's five forces (analysis of the content of the appendix L1 AN and L2 AN); • Analysis of the external environment of the threat of new entrants: – Few barriers to entry so S2U with a large market share may be able to use their monopoly power to keep out competitors. – S2U may benefit from economies of scale which also reduce the threat of new competitors. – S2U uses dynamic pricing, and having a large market share may be able to reduce price to keep out competition. • Analysis of the bargaining power of buyers: – Transparent market, especially with IT systems being well-documented on internet. S2U may need to focus on what makes their service better than what is available. – Economies of scale may allow S2U to lower prices better than many competitors. • Analysis of intensity of competitive rivalry: – Market leader in country Z may give S2U a competitive advantage and economies of scale. – Market is growing – may allow S2U to achieve their increase in sales. – Outside of country Z market is more competitive – may lead to continued reduction in profit margin (as prices drop to gain international market share).	

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Question	Answer	Marks
2	• Analysis of bargaining power of suppliers: – Software suppliers have the power to set prices which may make it difficult for S2U to control their prices as their costs will be determined by the suppliers. However, as the market leader, S2U may be able to afford to make a loss in the short run where a smaller competitor may not. – The hardware market is the opposite and gives S2U more control over costs and therefore prices. • Analysis of threat of substitutes: – Many substitutes and little differentiation make it difficult for S2U to build up brand differentiation which is important in this market (market research). Analysis for the usefulness of Porter's five forces (as a whole L1 AN and L3 AN); • Enables S2U to evaluate the competitive rivalry in the market and to gauge the competitiveness of the industry. May lead to S2U developing a new marketing strategy to increase sales revenue. • Helpful for S2U to plan for the future (marketing, operations, HRM etc.) and develop new approaches to stay in the market or to develop new market possibilities. • Gives S2U insight into how they should communicate with their suppliers – the importance of keeping their suppliers happy – in this scenario the suppliers have a great deal of power (monopoly) and S2U needs to understand this so they do not lose this relationship. • Gives S2U insight into how they should communicate with their customers – the importance of keeping customers happy – price sensitive and well informed. S2U may have market power, but no power to increase prices. Arguments against the usefulness of Porter's five forces: • No analysis of the internal elements that may be important in the strategic analysis of S2U or implementation of a new strategy. SWOT and core competency analysis would provide this insight that is needed before any strategy can be developed. • Porter's five forces is unlikely to help when S2U is making a strategic choice between future strategies – approaches such as investment appraisal and decision trees may be required to make a strategic choice. • This approach was completed by an external management consultancy business – with no investment in S2U, to what extent can this information be relied upon to base future decisions? • The five-force analysis was completed in 2022 – is it still relevant in 2023? • The five-force analysis is looking at how the market has operated in the past, with no guarantee of how it may operate in the future. The technology market, in particular, is dynamic and fast changing, so the analysis may be out-of-date before it can be used. • The five-force analysis is only looking at the IT support market, it does not take into account other external influences, such as the economy of country Z (and other countries), political changes and other technology markets, such as might be analysed in a PEST analysis.	

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Question	Answer	Marks
2	**AO4 Evaluation** (L1 EVAL and L2 EVAL and L3 EVAL); • A judgement about the usefulness of Porter's five forces when developing a new business strategy for S2U. • Judgement may depend upon; the validity of the data, the external environment in country Z and abroad, whether S2U is staying in the same market, or whether it will diversify, the use of other approaches in tandem with Porter's five forces. • Weighing up of the relevant arguments for the use of Porter's five forces in making decisions about developing a new strategy for S2U. • Weighing up of the relevant arguments for the use of other approaches instead of (or in tandem with) Porter's five forces. Accept all valid responses.	