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INTERNATIONAL A-LEVEL

BUSINESS

BU03

Unit 3: Business Strategy

Mark scheme

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Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study business in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about business. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
AO2	Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
AO3	Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

The marking grids

The specification has generic marking grids for each Assessment Objective that is customised with indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

Within each Assessment Objective there are three or four broad levels representing different levels of achievement. Do not think of levels as equivalent to grade boundaries.

The indicative content gives examples of the kind of things students might do that would exemplify the level. They are neither exhaustive nor required – they are simply indicative of what would appear at this level. You will find that they sometimes indicate areas of content that can be handled with increasing sophistication and subtlety. You will also find statements which only characterise work at the bottom or top of the range.

Depending on the part of the examination, the levels will have different mark ranges assigned to them. This will reflect the different weighting of Assessment Objectives in particular tasks and across the examination as a whole. You may be required to give different marks to bands for different Assessment Objectives.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level for an individual Assessment Objective. The number of marks per level will vary depending upon the number of marks allocated to the various Assessment Objectives covered by a particular question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it (as instructed below) to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level.
The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as in the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level; eg if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust. If there is a lot of indicative content fully identifiable in the work you need to give the highest mark in the level. If only some is identifiable or it is only partially fulfilled, then give the lower mark.

The exemplar materials used during standardisation will also help. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the lead examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the lead examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

In addition to the generic descriptors (presented in bold text), paper-specific indicative descriptors (presented in plain text) are provided as a guide for examiners. These are not intended to be exhaustive and you must credit other valid points.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives (see page 19) and be careful not to over/under credit a particular skill. For example, in question 11 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

You should write a summative comment at the end for each Assessment Objective and indicate the marks for each Assessment Objective being tested at the end of the answer in the margin in sequence. It is vital that the way you arrive at a mark should be recorded on the script. This will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A **Total for this section: 40 marks**

Question	Part	Marking guidance	Total marks
1	1	Using **Table 2**, calculate the payback period for the purchase of PD. Award 3 marks if answer is: • 2.71 years (also award 2.7 and 2.714) • 2 years 8.5 months (also award 9 and 8.57 months) • 2 years 261 days (also award 260.7 days) Payback achieved between 2 and 3 years (1) Investment to recoup in 3rd year 800 – (300+250)= 250 (1) Portion of 3rd year = 250/350 = 0.71 (1)	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
1	2	Analyse **one** reason why CDR might undertake a sensitivity analysis with the PD investment appraisal. **Indicative Content** • Sensitivity analysis allows CDR to identify which elements will have the largest impact on the investment appraisal if they were to change. For example, how will a 10% increase in purchase cost affect the payback period. This enables the business to focus on the most important inflows and outflows of the investment appraisal. **Good response 4 marks** Candidate is likely to demonstrate an understanding of sensitivity analysis, applies it to the case study and explains the importance to the investment appraisal. **Reasonable response 3–2 marks** Candidate is likely to show an understanding of sensitivity analysis, but has not applied this to case study or does not explain importance to investment appraisal. **Limited response 1 mark** Candidate is likely to show some understanding of sensitivity analysis.	**4** **AO1 = 1** **AO2 = 1** **AO3 = 2**

Question	Part	Marking guidance	Total marks
1	3	Porter's five forces can be used to understand an industry. Analyse the impact of **two** of Porter's forces on CDR's profit.	**9** **AO1 = 2** **AO2 = 1** **AO3 = 6**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	7 – 9	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	4 – 6	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

Indicative Content

- Buyer power – Buyers have some power over CDR. There are 3 climbing centres in the city, therefore, if CDR's prices are too high then the customer can go to a competitor. However, choice is limited and convenience of location may mean that CDR can have high prices and not lose customers, leading to increasing revenue and, therefore, profits.
- Entry threat – There is no entry threat as the building of new climbing walls in the city is permitted. Therefore, even if the climbing centres earn good profits it will not lead to an increase in direct competitors. This will enable CDR to maintain high prices and therefore earn high profits.
- Substitute threat – CDR competes with substitute threats such as, adventure businesses. A recent recession has closed several adventure businesses, reducing competition and allowing CDR to maintain high prices and profits.
- Rivalry – there is limited rivalry between the three businesses, they do not attempt to compete with each other, preferring to attract new customers to climbing. This will enable CDR to maintain high prices and it will not have to spend on advertising to compete with the other climbing centres; both of which will raise profits.
- Supplier power – There are three climbing centres within the city, therefore, these are the only customers for climbing specific products that we know about. This gives CDR some power over the suppliers as there are only two other customers that suppliers can go to, therefore, CDR should be able to keep the costs of supplies down and increase profits.

Accept any other valid content.

Question	Part	Marking guidance	Total marks
1	4	In 2018, the leadership style at CDR changed from position 1 to position 4 on the Tannenbaum Schmidt continuum shown in **Figure 1**. The Managing Director of CDR has stated that the increase in profit between 2018-2021 was due to his change in leadership style. Do you agree with this statement? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.

3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.
2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding. • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are to evaluate whether the change in leadership style at CDR from position 1 to position 4 on the Tannenbaum Schmidt continuum led to the increase in profit between 2018 and 2021.

Indicative Content

- The movement in the leadership style would have been from 'tell' to 'consult'.
- The 15% improvement in employee motivation may be due to the change in leadership. Consultation is meeting a social need on Maslow's hierarchy of needs. Herzberg identified achievement and recognition as motivators, both would be met if suggestions are acted upon.
- Increased motivation could have led to the 10% improvement in customer satisfaction, as employees are more motivated to perform their roles. This in turn could have led to returning customers, leading to the 10% increase in profits.
- PD has experienced a loss of customers due to poor customer service linked to poorly motivated staff. The opposite could be true for CDR.
- Through consultation with employees, the business has introduced new services, including children's parties and climbing competitions. This would have increased revenue and, therefore, potentially be partly responsible for the 10% increase in profit.

However:

- The demand for adventure sports, including climbing, increased between 2018 and 2021 due to customers growing incomes. This would lead to an increase in revenue, which may lead to the increase in profit.
- PD has lost customers due to poor customer service. These customers have a choice of only two climbing centres, therefore, many would go to CDR increasing revenue and, therefore, probably profits.

It depends upon:

- The growing income would have led to more disposable income and, therefore, an increase in revenue and probably profit. A tell leadership style would also have experienced this increase. Therefore, not all the increase in profit is due to the leadership style.
- How many of the customers that left PD came to CDR? This increase in customers could have been influenced by the improved customer service at CDR due to the change in leadership style, however, some of the customers may have moved to CDR regardless of the change.
- Through consultation new products have been launched, therefore, at least some of the increase in revenue, and probably profit, is directly linked to the change in leadership style.

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
1	5	CDR is considering buying the PD centre in order to increase profits. Do you think that this would be a good decision? Assess the arguments for and against this decision and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	7 – 9	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding. • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are to analyse the case for and against the CDR purchasing PD to increase profits and make a supported judgement whether this is the right decision.

Indicative Content

- Control of 2 of the city's 3 climbing centres would reduce the choices available to customers, enabling CDR to charge a higher price, leading to greater profits.
- There may be economies of scale available to CDR in having two sites, for example, marketing economies of scale as both centres will have the same brand. This will reduce costs and increase profits.
- The payback period is less than 3 years, which indicates that it is a low risk investment.

However:
- The bank will charge 8% interest for 4 years on $800,000. This is $256,000 over 4 years. However, the ARR on the project is 15.6%, which more than covers the cost of finance.
- The causes of PD's poor staff motivation will need to be investigated and addressed in order to improve customer service. This may require reorganisation of the business, increases in pay and improvement in working conditions, which may increase the costs associated with the purchase.
- The investment appraisal has been conducted by CDR's Managing Director, who wants the purchase to go ahead. Therefore, the figures may not be fully reliable as the Managing Director may have some bias in producing the IA.

It depends upon:
- How reliable is the investment appraisal of the purchase and renovation of PD?
- What are the causes of low staff motivation at PD and how expensive will this be to address?
- What are the trends in the climbing and adventure sports industry? If climbing is losing market share to other adventure sport activities then an entrenchment strategy rather than growth is preferable to maintain profits.
- How near capacity is the CDR facility? CDR will benefit from some of the customers leaving PD due to low employee morale. If the current CDR facility has the capacity to accept additional customers from PD, then CDR does not need to take the risk of purchasing PD to increase profits.

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

Section B **Total for this section: 40 marks**

Question	Part	Marking guidance	Total marks
2	1	Using **Table 3**, calculate the inventory turnover for FFP as at 31st December 2022. Award 3 marks if answer is: 9.6 or 38 days Inventory turnover = Cost of Sales/Inventory (1) Inventory turnover = 1200/125 (1) Inventory turnover = 9.6 (1) Inventory turnover days = Inventory/Cost of sales x 365 (1) Inventory turnover days = 125/1200x365 (1) Inventory turnover days = 38 days (1)	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
2	2	Analyse **one** reason why FFP may want to 'window dress' its accounts. **Indicative content** • Window dressing is manipulating the accounts to show a financial position that is better than it is. • Businesses may manipulate their accounts to make it look as though they are paying their suppliers punctually, so that other new suppliers will extend payment terms. Current accounts show Payables Days at 58 days, just beneath the 60 level that suppliers want. • Businesses may wish to make their current ratio look better so that they appear to be more liquid. Banks would then have confidence in the continuing operation of the business. • Businesses can bring forward sales from future years to increase the revenue and therefore profit. This would keep shareholders happy as they would expect higher dividends. **Good response 4 marks** Candidate is likely to show good knowledge and understanding of window dressing and an analytical chain that explains why FFP may choose to use it. **Reasonable response 2-3 marks** Candidate is likely to show knowledge of window dressing but is unable to explain why it is useful or is unable to apply it to the case study. **Limited response 1 mark** Candidate is likely to show some knowledge of window dressing.	**4** **AO1 = 1** **AO2 = 1** **AO3 = 2**

Question	Part	Marking guidance	Total marks
2	**3**	Analyse how FFP will benefit from a regional organisational structure.	**9** **AO1 = 2** **AO2 = 1** **AO3 = 6**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	**7 – 9**	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

Indicative Content

- Each division will know the cultures of the regional areas where it operates; therefore, it is likely to be more effective in its marketing techniques than a centralised system.
- Whilst the business is attempting to target Bowman's Strategic Clock position 5, which is 'high price', this will be different in different countries, therefore, regional divisions would be more effective at setting a suitable price, as well as, more effective in targeting the local high income market segment.
- Each regional division will also be aware of the local cultural and religious sensitivities and will make sure that they do not cause offence to anyone that could lead to damage to the brand, for example Halal food in Middle East.
- The regional divisions will know the legal framework of the countries in which it operates and, therefore, can avoid legal issues and subsequent fines, for example sugar tax in the UK.
- Due to its knowledge of the areas in which it operates, each division will also be able to maximise returns by concentrating on those products that are likely to be the most profitable in a particular country.
- The business can quickly identify the most profitable countries in which to operate. This will enable FFP to concentrate their efforts on the most profitable food markets and possibly withdraw from countries that do not create a profit for the business.

Accept any other valid content.

Question	Part	Marking guidance	Total marks
2	**4**	FFP is an international business with many different stakeholders. The Managing Director believes that 'stakeholder mapping' will be useful to FFP in managing stakeholders' objectives. Do you agree with the Managing Director? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding. • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are to consider the usefulness of stakeholder mapping in deciding the stakeholder objectives that the business should aim to meet and which it should attach less importance to.

Indicative Content

- Stakeholder mapping classifies stakeholders according to their interest in and power over the business.
- Stakeholder mapping allows FFP to consider how the stakeholders should be communicated with.
  - High interest and high power – employees – manage closely.
  - Low interest and high power – governments – keep satisfied.
  - High interest and low power – shareholders and suppliers – keep informed.
  - Low interest and low power – environmental groups – monitor.
- Stakeholder mapping, therefore, provides a useful tool to ensure that those stakeholders with the most influence and power have their objectives met, whilst other stakeholders are simply informed.

However:

- The power and interest of stakeholders may change between countries:
  - The power of employees and their unions may not be the same in every country where FFP operates, some countries may have laws restricting industrial action. Other countries may have high unemployment so that employees do not wish to risk losing their jobs.
  - Governments in some countries may be more prepared to intervene in the market than others. For example; sugar tax in the UK.
- The power and influence of stakeholders may change depending on situation:
  - Individual shareholders have little power; however, if profits fall then they will act together and sell their shares, resulting in a lower share price and, therefore, reducing the businesses ability to raise capital through selling additional shares. Therefore, in certain situations the power of some stakeholders can be high.
  - If there is a shortage of ingredients then the individual suppliers will act as one and raise their prices to market value, therefore, increasing their power over FFP. Again, in certain situations the power of the stakeholder may be higher than usual.
- The power and influence of stakeholders may change with time:
  - Over time unions may become more aggressive and organised in their pursuit of pay rises or improvement in working conditions, increasing their power over the business.

It depends upon:

- Stakeholder mapping may be useful at a country level, rather than regional or the whole business level, as stakeholder interest and power varies between countries.
- Stakeholder mapping may have to be conducted in the short and long term as their relative powers and interests may vary over time.
- Stakeholder mapping will be a subjective exercise, which may produce incorrect conclusions. How should the interest and power be decided?

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
2	**5**	FFP is considering strategically repositioning its brand from position 5 to position 3 on Bowman's strategic clock. Do you think this would be a good decision? Assess the arguments for and against this decision and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding. • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are for the candidate to assess whether FFP should reposition its brand, on Bowman's strategic clock, by reducing its prices.

Indicative Content

- Moving from position 5 to position 3 on Bowman's strategic clock will involve a change in price, but maintaining the perceived value to the customer.
- Customers are becoming increasingly price sensitive. Therefore, the products are becoming more price elastic. Reducing the price of FFP's products should result in revenue increasing as the increase in sales volume outweighs the decrease in price. This may lead to an increase in profit if the increase in revenue is greater than the increase in costs due to increased sales.
- FFP is losing market share at position 5 due to new entrants; it may experience less competition at position 3 enabling it to increase market share.
- FFP is a global food manufacturer. It may have economies of scale that enable it to operate at a low cost and, therefore, charge the low prices required to operate at position 3 and continue to make a profit.

However:
- FFP has established position 5 due to high prices and high quality differentiated products. If FFP reduces its prices, customers may assume that the perceived value that they get from consuming the products is lower and, therefore, go to competitors. FFP could end up with lower prices and lower demand.
- Changing position from position 5 to 3 may require a change in the target market. This will require the marketing mix to be reconsidered incurring significant marketing research costs.
- If food customers are becoming increasingly price sensitive, then there is likely to be increased competition at position 3 as other businesses, affected by the same change in customer behaviour, also adapt their marketing strategies. FFP could end up with even more competition at position 3, therefore, market mapping should be conducted.

It depends upon:
- How long is the increase in customer price sensitivity expected to last? The case study has suggested a recession in 2020 is responsible for the increased price sensitivity. If the economies are already in the recovery stage then eventually price sensitivity should reduce due to increasing incomes.
- A market mapping exercise may establish whether there is less competition at position 3, however, the market is dynamic and a gap in the market can be quickly filled a competitor.
- How loyal customers are to brands who are already at position 3 on Bowman's Strategic Clock? It may require significant promotional expense to attract them to FFP away from their preferred brand.
- Why have new entrants been attracted to position 5? Is it because FFP is still making a profit, whereas other positions are loss making? FFP may already be in the best position.

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1.1	1	2			**3**
1.2	1	1	2		**4**
1.3	2	1	6		**9**
1.4	2	2	2	6	**12**
1.5	2	2	2	6	**12**
Section B					
2.1	1	2			**3**
2.2	1	1	2		**4**
2.3	2	1	6		**9**
2.4	2	2	2	6	**12**
2.5	2	2	2	6	**12**
Unit Total	**16**	**16**	**24**	**24**	**80**