

A LEVEL

Exemplar Candidate Work

H431

BUSINESS

Operating in a local business environment (Component 1)

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INTRODUCTION

This resource has been produced by a senior member of the A Level Business examining team to offer teachers an insight into how the assessment objectives are applied. It illustrates how the sample assessment questions might be answered and provides some commentary on what factors contribute to overall levels.

As these responses have not been through full moderation, they have not been graded and are instead, banded to give an indication of the level of each response.

Please note that this resource is provided for advice and guidance only and does not in any way constitute an indication of grade boundaries or endorsed answers.

QUESTION 16

16 Analyse **one** possible reason why somebody would want to become a Cartridge World franchisee

[6]

LEVEL 1 ANSWER, (1–3 MARKS)

Cartridge World has spent a long time building up their business model. They now know what things can go wrong for a franchisee and so they can offer all sorts of help if they do. This is very beneficial for the franchisees who can get assistance if they need it.

EXAMINER COMMENTARY

A Level 1 answer requires limited knowledge and understanding of a reason for becoming a franchisee. This may be **just one piece** of correct knowledge about the benefits of being a franchisee - in this case, the fact that the franchisor can offer help and assistance based on its previous experience. This answer actually shows good understanding of this one point (and so would probably score three marks) but cannot move into Level 2 as there is no analysis.

It is worth pointing out that there now does need to be some context in an answer to gain anything above the AO1 marks in the mark scheme. This is achieved in this answer by the reference to Cartridge World having been in business for a long time. An answer which just lists one or more reasons for becoming a franchisee cannot score more than the one AO1 mark available.

NB: There is no longer the 'easy' link between 'Levels' and 'Assessment Objectives'. In the old specification all Level 1 marks were AO1, all Level 2 marks were AO2 etc. We now have a 'vertical' levels of response system in place where each 'Level' contains marks from more than one AO. This is shown in the column headed 'Marks' in the mark scheme.

LEVEL 2 ANSWER, (4–6 MARKS)

Cartridge World (CW) is a well-known business which has been around for more than 20 years. It has a brand name that its customers will know and trust. The customers will also know that the franchise with the CW brand has a reputation for selling at a price which is lower than the manufacturer. This means that a new franchisee should get regular and frequent orders (assuming the customer service offered is good) and so will make more revenue and profit than another business where the brand is not so well-known. This would certainly be one reason why someone would want to become a CW franchisee.

EXAMINER COMMENTARY

Level 2 requires good knowledge and understanding **as a starting point**. This answer clearly shows knowledge of reasons for becoming a franchisee (a brand name which is trusted and a reputation for low prices) in the context of a business which has been around for more than 20 years- all information which the candidate can quickly gain from the resource material. This is enough to satisfy the criteria for 'Good' knowledge and understanding stated on page 6 of the mark scheme, 'Accurate use of the terms and concepts in the question and applied in a focused way to the context of the question'.

However, good analysis is also needed. This is explained as 'A developed argument which demonstrates the **sequential links** in relation to the causes, consequences and/or possible solutions'. This answer shows this by linking the reputation and low prices to more regular orders and hence more revenue and profit than a less well-known brand or a new start-up business. It is likely to score six marks.

QUESTION 18

18 Evaluate the likely impact of market forces on a Cartridge World franchise

[15]

LEVEL 1 ANSWER, (1–5 MARKS)

One change in market forces could be a new competitor selling similar products to a Cartridge World (CW) franchise. This may mean that the franchise sells fewer products.

Another market force could be consumer incomes increasing which will increase the demand for computer products. However, CW may actually lose out in this case as they may sell less of their refilled cartridges as people become richer although it may sell more printers.

Overall, the most important factor is the level of competition.

EXAMINER COMMENTARY

The candidate shows limited understanding of what market forces refers to and is able to provide two basic examples, in context. However, it is not focused sufficiently on the needs of the question or the context and so, at best, can be classified as 'reasonable' knowledge and understanding.

The answer significantly 'fails to deliver' in terms of analysis and evaluation. This is because there are none of the 'sequential links' necessary to achieve a 'good' level of analysis. For example, why will a new competitor cause sales to fall for this franchise? What is the thought process behind the suggestion (which may well be correct) that the franchise may sell fewer refills but more printers if consumer incomes increase? This means that, in terms of analysis, it is 'limited' which is categorised as 'Simple statement(s) of cause and consequence and/or possible solutions'.

The final sentence is also 'limited' in terms of evaluation as it is 'An unsupported assertion'.

This answer therefore is likely to be awarded three or four marks.

LEVEL 2 ANSWER, (6–10 MARKS)

'Market forces refer to supply and demand. Cartridge World (CW) offers lots of help to anyone becoming one of its franchisees. This is made clear in Fig 1. This assistance should help a franchisee cope with a new competitor which would increase supply in the market. This is unlikely to be beneficial to a franchisee because it will lower the market price and they will have to 'fight' harder for the same level of sales. However, the main company could offer advice to its franchisees based on 20 years of operating in the market on how to respond. This means that the franchisees are never 'on their own' if the supply situation in the market changes.

A decline in the economy may cause a fall in consumer income and so a fall in demand for CW's products, as they may not be seen as necessities. However, given the record numbers of new businesses and self-employed people in 2014, there is an ever increasing demand for 'home office' equipment and supplies so that a CW franchise may be less affected by any recession. The parent company of CW may also be able to help with a fall in demand for the office products because they can advertise and use other marketing to try to boost franchisees' demand. This is not guaranteed to work but it at least can help the situation.

In either case with supply and demand changes, the parent company can help a franchisee but it is probably more effective in the case of changes in market demand. So supply changes probably have more of an impact on a CW franchisee than demand when it comes to market forces.'

EXAMINER COMMENTARY

Compared to the first answer, this one does make the necessary sequential links to help make clear how the change in any particular market force leads to an impact on a franchisee, making good use of the context available. The use of concepts and terminology is also very good. All in all, this makes the knowledge, understanding and analysis all of a 'good' level (or even 'strong').

However, to achieve Level 3, an answer must also contain 'strong' evaluation which is not quite achieved in this case. When discussing both factors, the answer does recognise that the franchise may not be so significantly affected either due to the products it sells or the help available from the franchisor. This is definitely 'reasonable' evaluation ('Some attempt to come to a conclusion which shows some recognition of the influencing factors').

The final paragraph makes an attempt to reach a conclusion. However, in saying that supply changes may have more of an impact than demand, no attempt is made to justify this point of view. For example, it could have been argued that in a local market, a strong national brand name such as Cartridge World would be a significant advantage over an unknown new business which may not even have any physical premises. This final paragraph is an example of a 'good' piece of evaluation, categorised as 'A conclusion is drawn weighing up both sides and reaches a judgement **which is not fully supported**'.

A mark of nine or ten is likely to be awarded as, although the evaluation is only good, the understanding and analysis is good to strong.

LEVEL 3 ANSWER, (11–15 MARKS)

'Demand and supply are the market forces. Cartridge World (CW) will be affected by demand factors such as customers' income and the price they themselves charge for products like the cartridges and printers. If the economy is in a recession it is likely that the small and medium sized businesses who are its customers will experience a drop in demand for their products and will get less revenue. This may not affect the amount of cartridges they buy but it might very well affect the amount of other consumable office equipment they buy from the franchisee. These customers will probably delay purchasing items such as a new printer if they do not really need one. This will impact negatively on the sales and profit of a CW franchisee.

Price is another significant factor affecting demand – especially if the economy is in a recession. It says that the office supply market is competitive and if other companies' products (of the same quality) are cheaper than CW franchisees' then the franchisee will experience a fall in demand because the products are close substitutes.

There are a number of factors that affect supply, such as cost of the products from the parent company (if these rise it may reduce the ability of the franchisee to supply as many as previously if they have a limited budget) but the low barriers to entry that are mentioned are the most important supply factor. This is because if there are new entrants to the market the increased supply will almost certainly force market prices down. This may very well reduce the overall profit of a franchisee because even if that franchisee's business makes more sales at the new lower price the profit margins will have been squeezed.

In my opinion, the factors affecting the demand for a franchisee's products are more significant than supply factors in the market they operate in. The market may be competitive and have new entrants but the parent company will have been doing market research and will have identified how to help franchisees cope with the new competition. This means that this sort of problem with supply in the market can hopefully be overcome quite easily. The parent company wants its franchises to succeed and will be able to take action and offer advice based on its own research to assist them.

On the demand side, however, if there is a recession and customers are ordering less there may be very little the franchisee can do since if they seek out new customers these will probably be in the same situation as its existing ones. There is not much the parent company can do to help the franchisee in this situation because the state of the economy is completely out of its control, especially if the recession is severe like the one we have been through recently.

If demand is expected to remain low for months, national advertising may be ineffective. Whereas it has at least a degree of influence when dealing with supply in the market in terms of dealing with new competitors especially as it has many years of operating in the office supply market. Therefore supply has much less of an impact on a franchise of CW than demand'.

EXAMINER COMMENTARY

Comparing this answer to the earlier Level 2 answer it is clear to see the difference. Again, the analysis is of a strong level, with clear sequential links, excellent use of theory as well as the context available in the resource booklet. However, in this answer, the candidate has expressed an opinion that supply will have less of an impact, relative to demand factors, but has then gone on to fully justify this point of view. Notice how it is the last three paragraphs (effectively half of the answer) which are making the evaluative argument. In the past, too many candidates have felt it is possible to gain the AO4 marks (of which there are seven in this question) from a short sentence or two. **Given that nearly half of the total marks for the question are at AO4 then this should be a clear signal as to how much time and effort needs to be put into this skill within an answer.**

It would be very harsh to award this answer anything less than full marks.

QUESTION 20(b)

20(b) Using quantitative data and qualitative information, evaluate the extent to which a Cartridge World franchise opening in December 2014 is likely to be successful.

[15]

LEVEL 1 ANSWER, (1–5 MARKS)

'It would be good to start a CW franchise in December 2014 because the economy is doing really well now and the gross domestic product (which is all the UK output) has been going up steadily. When companies do well and lots are being set up, this is shown in Fig. 7, they will order more cartridges and paper and printers etc. from CW franchises. This means they will increase their profits quickly so it is a good time to start up and succeed. However, some areas of the country are better than others so they need to choose where to go carefully and they must keep prices low as well to get customers. If they do this they will definitely succeed. So yes December 2014 is the right time.'

LEVEL 2 ANSWER, (6–10 MARKS)

There is much evidence to suggest that a CW franchise would be successful. To begin with, Fig. 1 tells us that the franchisor is long established and provides a wealth of support as well as, most importantly, a defined local territory for the franchisee to operate. This will mean that the franchisee will have no competition from another CW franchise, although this does not prevent other similar businesses from setting up in the local area.

Figs. 4 and 5 suggest that the UK economy is currently undergoing an expansion and this will continue in the future. This will help to provide a background of consumer strength so that CW's products will be increasingly bought. On the other hand, Fig. 6 does suggest that there are still a very large number of companies which fail every year which is particularly true for new and small businesses. However, the support of the franchisor will help to minimise the chance of failure.

An important factor when considering the success of a franchise opening in December 2014 is where it is located. Fig. 7 suggests that some parts of the country are 'hotspots' for new start-ups and it may be an idea to try and locate in one of these areas. This is because there may be a good network of support groups for new entrepreneurs, leading to external economies of scale.

In conclusion however, I do not think it is a good idea to take on a CW franchise at the moment as the market is in decline. With increasing numbers of people not using printers anymore due to sharing sites for photos and increased use of 'cloud computing' the demand for printer refills is in terminal decline.

LEVEL 3 ANSWER, (11–15 MARKS)

'The franchisee would most likely regard success in the traditional way; first business survival, then growth and finally long term profit. There are several reasons to believe that a Cartridge World (CW) franchise set up in December 2014 would follow this path to success.

First of all, the information provided in Fig. 1 is very encouraging in terms of support being offered to a franchisee. Help is being offered on many of the key aspects of running a business, such as marketing and product development. From this, a franchisee would know that CW would always be willing to offer advice and support since it will not want to see a franchise fail because it means less profit and possibly poor publicity. There is therefore every reason to suppose that advice (e.g. on trends in sales of printers) given to a franchisee is going to be up to date, accurate and of value to the franchisee. This would be an immense help to achieving success. A franchisee might know that they are not good at running all aspects of a business but that help was always available for any 'weaknesses' they know they have.

The quantitative data also supports the view that December 2014 would be a good time to start a franchise business with CW. Fig. 4 shows a steady rise in GDP since 2009. If the economy is growing then the small and medium sized

business that are CW's customer will be ordering more office supplies which will impact positively on the likelihood of survival and growth.

Of course not all the data is reliable; the figures in Fig. 5 are just forecasts and the state of the economy could change quite quickly and so rises in sales for a CW franchise are not absolutely certain. To form a clear judgement it would be useful to have some specific data on how many franchises (especially CW franchises) have started up over the past year not just 'new businesses' in Fig. 7, how many have failed and, very importantly, the reasons why they failed. It could then be gauged just how useful the sort of help from CW would be in counteracting these reasons.

The two key factors in the success of a business, the state of the market and the ability of the entrepreneur, are definitely both positive here. The figures from Figs. 3 to 6 point to a steady rise in sales of CW products which every business will need to some degree. If the correct area to locate in is chosen (there would be a need to look carefully at Fig. 7) the franchisee could expect a sort of multiplier effect affecting the sale of office equipment as the growth of new businesses trigger more demand for products.

When this fact is coupled with the help (developed over 20 years' experience) that the parent CW offers in all aspects of running a franchised business, I think the new franchise has an excellent chance of starting up successfully in December 2014. It should then be growing larger in terms of sales in 2015/16 if the trend in the economy's growth is maintained.'

EXAMINER COMMENTARY

There is a clear progression in the three answers presented above. The Level 1 answer is mainly a collection of relevant points and there is some analysis which would be assessed as being reasonable to good. However, the conclusion is unsupported and the knowledge and understanding is reasonable at best, especially as so few issues are actually mentioned. A mark of four or five would be appropriate.

The Level 2 answer is significantly better as it does make reference to both quantitative and qualitative evidence in the resource booklet and shows the necessary sequential links to achieve good analysis. In addition, there are some attempts at evaluation at the end of both the second and third paragraphs (although they are rather 'throw away' comments and hence not fully supported). The final paragraph is an example of something often seen from candidates; a conclusion which does not reflect the preceding discussion. The first three paragraphs all appear to be heading towards an answer saying that a franchise opening would be successful. However, the conclusion then suggests it would be a bad idea but without fully supporting the reasons for this. In addition, it begins to sound as if the candidate is answering a different question, about whether they should open a CW franchise or not. The evaluation is therefore good at best and so a mark of eight would appear to be about right.

Any answer to a question about success, especially at the end of a two-year linear course, should really make some reference in it to what is meant by success, in the context of that business. The Level 3 answer makes this issue its starting point and then goes on to consider how this may be affected by the range of evidence available in the resource booklet. Consider how the level of analysis is so much more developed when compared with the Level 2 answer. There is evidence at attempts of evaluation throughout the answer (if slightly lacking support) as well as a two-sided approach. The final paragraph does then come to a logical conclusion, although there could be more discussion about the relative arguments. A mark of 13 or 14 would be appropriate.



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