

A LEVEL

Exemplar Candidate Work

H431/03

BUSINESS

The global business environment

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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. NB: You are advised to read through the exemplar answers and commentaries for component 1 (H431/01) before reading the following material.

QUESTION 1

Before Starbucks enters a new market, such as that in China in 2013, it examines the nature of demand.

Explain two factors which might affect the demand for Starbucks' products.

[4]

ANSWERS ACHIEVING 1 MARK OUT OF 4

The price of tea might impact on the demand for coffee.

OR

Effective advertising should increase the demand for coffee.

OR

When people are richer they might demand more Starbucks coffee.

EXAMINER COMMENTARY

Essentially 1 mark is awarded for AO1 knowledge of factors that affect demand - in this case, demand for 'Starbucks products' (i.e. probably coffee, but exclusively so). Coffee, or more specifically Starbucks coffee (or any other product), is the good in question and for the purposes of this question 'coffee' and 'Starbucks coffee' are, in practice, indistinguishable. Indeed, for AO1 it is only knowledge of factors affecting demand that are required and so there is no context needed for the first mark.

The AO2 mark, for application, is for some detail that specifically relates to Starbucks products/coffee - in other words it 'fleshes out' the demand factor mentioned for AO1. The examples above, it could be argued that the first is indeed contextual - the price of tea might well affect the demand for coffee - but lacks any explanation (e.g. substitute good) as to why. The second and third examples could apply to any product. Simply 'name dropping' coffee is not context enough for AO2 and the second mark. Saying that (third example) people being richer means that they can afford to go to Starbucks, Starbucks being perceived as more fashionable/worth the money, and thus a demand increase is the sort of context needed for AO2.

QUESTION 2

Referring to Extract B, showing Porter's Five Forces, analyse how the 'Potential of New Competitors' is likely to influence the decision making of Starbucks. [6]

LEVEL 1 ANSWER (1-3 MARKS)

If Starbucks were to experience more competition then it would probably end up selling fewer coffees. This is because customers might go to the new coffee shop, particularly if it has special offers, better seating, and more advertising, is cheaper or has nicer coffee.

MacDonald's, according to Extract B, might be one such competitor. In response, Starbucks will have to think about its 4 Ps and look at how it goes about competing. It could do a lot of things to make sure it doesn't lose customers.

EXAMINER COMMENTARY

The candidate shows limited understanding of this aspect of Porter's Five Forces. There is some initial explanation of what might happen to Starbucks (less demand) and reasons why. This knowledge is basic and only addresses possible reasons why demand may fall – it does not address the actual question of Starbucks' strategy/decision making in the light of this. There is some attempt to address this, which takes this answer to the **top of level 1**, when it says Starbucks needs to look at its 4Ps and basically 'do something'. Whilst vague, it does answer the question on a superficial level – there is a point made about the influence on Starbucks' decisions, but it is not analytical. The level descriptor asks for little or no analysis – and this is indeed the case here.

The first paragraph would be rewarded two marks (in level 1), the second paragraph (answers the question but not analytically) gets the third mark. This all falls well short of level 2's 'good analysis'.

LEVEL 2 ANSWER (4-6 MARKS)

Starbucks are very likely to respond to the threat of new competition with positive marketing action. It is likely that Starbucks will want to establish exactly what the new competitor is offering in terms of product, price and general 'experience' and then take counter measures – but only if it feels the threat is of significant magnitude. It is, after all, possible that Starbucks might evaluate the so-called threat and arrive at the conclusion that it will never compete with Starbucks and so do nothing – a risky approach. More likely, Starbucks will comprehensively review its product offering and prices and seek to better the new competitor in both of those respects. Quite how that will unfold will depend on what the new firm is offering, but it is likely that Starbucks will free up the resources to do appropriate research and alter its products to match and better the new entrant. Certainly Starbucks will now have to be pro-active in its decision making in terms of marketing and out-manoeuvre the competitor.

EXAMINER COMMENTARY

This response quickly moves into level 2 by demonstrating sound knowledge and understanding, but most importantly **good analysis**. The emphasis is on 'decision making' and how Starbucks will change in this respect. Moving on from the level 1 response, this answer builds on the suggestions of what Starbucks will have to do and goes into the decision making issue in some depth, in terms of both 'what' and 'why'. It focuses on one general area – out-competing the new competitor on product and price (very much linked and altered together). This it does analytically and in enough depth to easily attract a **level 2** mark. That said, it could be improved with more detail on the actual decision making process, the time frame and the other considerations that Starbucks would have. In short, there could be more depth with regard to what Starbucks might do with product range and price.

QUESTION 3

To what extent are global exchange rate fluctuations likely to affect Starbucks' operations? Justify your view. [10]

LEVEL 2 ANSWER (4-6 MARKS)

Starbucks are an importer of coffee beans. It is going to have to pay for beans in the currency of the supplier and has to buy that currency in order to do that. If the exchange rate of Starbucks' currency (say, US dollars) goes up then it will be able to buy coffee imports more cheaply. This will enable it buy more or save money and use it elsewhere. It might simply keep the saving as a profit. Of course, if the exchange rate falls, relative to Starbucks, then its imports will be more expensive and this will squeeze profits. The relative strength of the currency that Starbucks is operating with to that of the coffee exporter will therefore determine Starbucks operations considerably and be a major factor in its success. It does depend, however, on how much it actually fluctuates.

EXAMINER COMMENTARY

This response, whilst true, lacks the depth of analysis and evaluation to score level 3. It is conceptually correct (i.e. knowledge and understanding) and does make some analytical points, but that **analysis is 'reasonable'**. It does not go in to sufficient depth with regard to the exchange rate movements and particularly **lacks depth of evaluation**. The 'extent to which' approach to evaluation is touched on but not developed. To improve this answer the import argument could look at what the starting point exchange rate is, how much it changes, how often, how price elastic Starbucks' demand is from any one country/supplier, the existence of longer term fixed price contracts and so forth.

LEVEL 3 ANSWER (7-10 MARKS)

Starbucks imports significant quantities of coffee beans, probably from a range of countries. All things being equal, if the Starbucks' currency falls in value relative to the coffee exporters then the coffee beans will cost Starbucks more. This would directly impact on profits (and maybe prices). However, this by no means definitely the case. Starbucks may be able to switch suppliers easily, i.e. Starbucks is price elastic, and simply import from wherever the exchange rate is most favourable. Long term contracts and buying coffee on futures markets will limit this versatility somewhat, as would any brand loyalty to any particular coffee beans. Indeed, for many reasons Starbucks might be tied to buying from specific sources and have to 'suffer' the exchange rate fluctuations good and bad. Remember, they could go in Starbucks favour as well. It is also true that imports of coffee beans, whilst an important component of overall direct costs are probably not the major factor in setting the price of a cup of coffee. Overheads, advertising, staffing is probably all more expensive than a handful of coffee beans and so exchange rate fluctuations, with respect to imports, are not so important.

EXAMINER COMMENTARY

This answer is totally evaluative. Clearly it would score highly in **level 3 as the knowledge and understanding is 'strong' and the response moves very quickly through some analysis and then challenges that analysis evaluatively**. The evaluation is strong because it is detailed, looks at a variety of reasons why exchange rate changes might not be such a problem and puts them in some sort of logical context with regards to Starbucks and selling coffee. The evaluation comes from a number of angles and is well articulated, relevant and thorough, bringing in a number of factors that mitigate or otherwise the extent of exchange rate fluctuations being an issue.

QUESTION 4(d)

With reference to the decision tree and any other relevant information, should Starbucks open a coffee shop in Uttar Pradesh and if so in which city? Justify your view [20]

LEVEL 2 ANSWER (6-10 MARKS)

From the decision tree it is best to open a Starbucks in city C. The outcome is positive, i.e. there is a net gain for Starbucks, and so it might as well open one there. A and B are quite similar, but C is the best so that it the answer. However, there is other data in table 1 that suggests this is not the best decision. The inflation rate in city C is very high which would make money worth less and mean Starbucks has to charge more for coffee. It will also have some impact on wages – indeed wages are rising fast. Of the three cities, C has the smallest population and so demand will not be what it is in cities A and B. However, city C is rapidly growing, so maybe this is the better long term investment. Economic growth is very high in city C so this is a good thing. People are getting richer and rich people buy more coffee. However, there is more competition in C so this will make life harder for Starbucks.

Overall, city C is the best investment. There are lots of positives, such as the economic growth, and the decision tree suggests that C is best as well, so it probably is as both qualitative and quantitative information point in that direction.

EXAMINER COMMENTARY

This is a level 2 answer because of the level of analysis and evaluation of the data given. There are a number of points covered, essentially the decision tree outcome and the information from table 1, but only at a 'reasonable' level. Knowledge is sound, such as using the concept of inflation to suggest that there will be an impact on wages, but then the train of argument stops there – it does not go into any depth as to whether this will actually be the case, how it will work or whether it really is such a big issue for Starbucks. Indeed, that is the approach all the way through the response. Issues are mentioned, but only given cursory treatment with regard to analysis and evaluation. All of this evidence could be examined in far more detail and compared and contrasted with other data or the decision tree outcomes to reach a far more valid conclusion. Simply saying that the decision tree points to C, as does one or two other data items, and therefore that is the best option is simplistic and superficial. In short, all points need more depth of discussion.

LEVEL 3 ANSWER (11-15 MARKS)

The decision tree suggests that city C is the best alternative, although there is really little in it. The decision tree is not particularly conclusive and it is really other data that should be used by Starbucks to make its decision. This is particularly the case given that the data in the decision tree is tenuous. Where have the probabilities come from? How can it be assessed with accuracy that Starbucks has those particular chances of success/failure – and there are no real absolutes in this sense? There will be degrees of success/failure. The data from table 1 suggests that city C is a good bet. It is rapidly growing and seems to be a city on the 'up', although the worrying inflation rate would suggest Starbucks would have to pay high wages, although there is every chance that this is a short term phenomenon and Starbucks should not worry. The high economic growth of city C is the important piece of data and it suggests that, with wealth flowing into the area, there will be a demand for the trendy Starbucks type products and image. The competition is not an issue in any of the cities – there is enough population to support Starbucks plus the competition.

Overall, I think Starbucks should go for city C but not based on the decision tree as this tells very little. The data in table 1 is more convincing and gives a lot of reasons why it should. India is definitely a growth market and Starbucks should maybe look beyond just this one relatively small decision.

EXAMINER COMMENTARY

In essence this response covers the same material as the level 2 answer, but simply challenges the assumptions and data in more depth. The analysis is therefore 'good', as is the evaluation – for example, whereas the level 2 answer simply pointed out that the decision tree showed a 'best outcome', this answer went on to challenge the validity of the outcome by questioning how the probabilities, in this case, had been arrived at. Much the same level of analysis and evaluation was used to dissect the inflation issue, saying that it 'there is every chance that this is a short term phenomenon' and therefore looking beyond accepting the data at face value. Indeed, it is the depth of the questioning of the validity of the decision tree and table 1 data that marks the principal difference between level 2 (where analysis is 'reasonable') and **level 3**.

The response still has shortcomings – it is not in level 4 after all. The reason is much the same as the level 2 answer is not level 3 and is the difference between 'reasonable', 'good' and 'strong'. The level 4 candidate should take these issues and spend more time saying to what extent they are true, i.e. doing level 3 but in yet more depth. An example of this is where the level 3 response stops short when looking at the decision tree. Yes, it challenges the probabilities, but does not look at them further in the context of this case and examine just how this firm, InvestinIndia, might have arrived at these numbers, what its motivation might be and just how and why they might not be reliable. In short, there is a whole 'top layer' of detail and depth missing that would be required for analysis and evaluation to be classified as 'strong'.

LEVEL 4 ANSWER (16-20 MARKS)

The decision tree suggests that there is little to choose between the three options – the outcomes are so close that in the context of a multi-national firm such as Starbucks the differences are tiny and meaningless. Indeed, the ‘do nothing’ option seems just as good. However, the key point is that this decision tree is for the first year only. Starbucks would never look at making a decision so short term based as it would know from past experience that the rewards/pay back comes much later on opening a coffee shop. The decision tree is also too simplistic in its probabilities – they are very blunt tools indeed. A very slight alteration to the probabilities would change the picture completely and so one must question where InvestinIndia actually got its data from. Given that this is a new situation for Starbucks there is probably no reliable data for InvestinIndia to base its probabilities on and so one cannot help but challenge the validity. The data can, and probably has been, skewed to prove anything. It is also unlikely that the success/failure values would be anywhere near accurate. There are far too many variables that would make these kinds of forecasts unreliable, in terms of the perception of Starbucks in each city, new competitors, suppliers, economic situations and so on. The decision tree is to be largely ignored, or at best be used as supporting evidence.

Far better is to use the data from table 1. This points to any of the three cities, depending on the degree of risk Starbucks wants to take. For instance city B has a huge population compared to the others (good) but seems poor with low economic growth. Would a Starbucks ‘sell’ in city B? Maybe, maybe not. The data is probably more encouraging for city C which has rapid growth from a smaller but richer, it would seem, population. Wage rates are higher – i.e. people can afford coffee – and that will easily offset the increased wages (over city B) that Starbucks would have to pay. The fact that there are 6 coffee shops there already should not be viewed as a reason to not locate there – on the contrary it shows that coffee is in demand and the fashionable Starbucks could probably wipe the others off the map.

There is, however, an argument to do none of the above. Any of cities A, B or C could be argued for using the decision tree and table 1, but none of it is particularly convincing. Indeed, there is no single piece of data that is anything more than a tenuous suggestion of success, should it locate in Uttar Pradesh. Starbucks would need to commission far more and detailed research before it embarked on such a high risk enterprise with data that showed long term gains, not the paltry million or two dollars that MIGHT occur after one year. There are so many other factors – fashion, staffing, culture, pricing, exchange rates, local laws, costs etc. – to consider before it would reach a conclusion and one would suggest the InvestinIndia’s data is both biased and superficial in the extreme. After all, a firm with the nomenclature ‘InvestinIndia’ is unlikely to arrive at a negative conclusion!

EXAMINER COMMENTARY

The level 4 answer quite simply **takes the skills of analysis and evaluation to the highest level – ‘strong’**. The nuances of the decision tree are discussed in depth rather than the disadvantages being pointed out but without any real examination of them in context (as is the case in the level 2 answer and, to an extent, in the level 3 answer). The depth in this answer is not so much based on theoretical details but contextual, and this is likely to be the case when differentiating ‘strong’ from ‘good’ in most cases. The answer looks at ‘likelihoods’ and very much ‘in this case’ rather than generally. For instance, this response examines why the probabilities are likely to be inaccurate, not simply because guessing the probabilities of ANYTHING in advance of it happening is guesswork but because in this case there are particular variables that make it so inaccurate, such as the cultural differences in the Indian market that Starbucks might be ignorant of. Indeed, the tone of the response is one that answers from a position of ‘authority’ – putting each errant piece of data into the context of a multi-national making a decision based on very limited research. The arguments, therefore, are primarily more sophisticated because of the contextual realism and continuous referral to the realities of this particular situation – rather than the general kind of criticisms of the research but without any weight of evidence and discussion.

Probably most convincing about this answer is the ‘stepping back’ and reflecting on the whole situation. The ability to look at both the firm doing the research (InvestinIndia) and its motives and the realities of a multi-national (Starbucks) ever making a decision based on such flimsy evidence, constitutes ‘strong’ analysis and evaluation. That ‘real world’ standpoint that, again, gives the answer such authority is highly rewardable. This answer would therefore score in the **middle of level 4**, but would need further arguments/discussion points (i.e. a greater variety) to hit 20/20.

QUESTION 5

“Innovation lies at the heart of Starbucks’ growth story” (Extract C). Explain one benefit to a business of having innovation at the heart of its organisational culture. [2]

ANSWERS ACHIEVING 1 MARK OUT OF 2

It means that customers expect new products so they like it.

OR

New products get made so the business stays popular.

OR

The firm keeps getting better at what it does.

EXAMINER COMMENTARY

Each of these answers is brief and without any details. Each would be worth 1 mark – they are weak because, whilst they make a general point about innovation being an advantage there is no explanation as to why specifically it is so advantageous. In short, there is not extended detail.

QUESTION 6

Refer to Extract F. Analyse two possible problems which could develop with Starbucks' world-wide supply chain. [6]

LEVEL 1 ANSWER (1-3 MARKS) (ANALYSIS OF ONE OF TWO POINTS)

If there was a bad harvest one year then there might not be much coffee around. This would affect Starbucks because there wouldn't be much to sell and Starbucks relies on having coffee beans. This is clearly a supply problem and one that would affect Starbucks.

EXAMINER COMMENTARY

This answer correctly identifies the supply of coffee beans as being integral to Starbucks' operations but goes absolutely no further. For this it would be rewarded 2 marks in level 1. There is no explanation about the 'supply chain', as the question asks for, i.e. the fact that there is a series of actions in a chain that ends with Starbucks making a cup of coffee with the supplied beans. There is a reason given for the lack of supply (bad harvest) but no detail nor any attempt at analysis as to how this happens, where, how the links in the supply chain work and how much of a problem it might be. It is correct, but lacking a detail.

LEVEL 2 ANSWER (6-10 MARKS) (ANALYSIS OF ONE OF TWO POINTS)

A poor coffee harvest brought on by bad weather or some other event could restrict world coffee supplies. This could be a localised event, in which case other countries' coffee supply might compensate and there would be less impact. However, there would be some impact, which might simply be a 'disruption' in the form of a shift left in supply pushing prices up. Starbucks' coffee importers/buyers will still get hold of coffee, just at a higher price. It might well be that a bad harvest is a one-off event and that, with coffee beans stored as a surplus on world markets (or directly by Starbucks), there is no significant impact on its supply. Starbucks would seek supply from multiple sources anyway, so supply chain disruption is minimised.

EXAMINER COMMENTARY

This is a **top level 2** answer as it gives a very clear reason (failure of a harvest) and then very quickly moves in to an analysis of that being a problem. The answer acknowledges that the supply of coffee beans is central to Starbucks operation, hence the potential disruption to supply, but this is mitigated by the likelihood of Starbucks sourcing from a number of countries and that coffee is stored on world markets in a way that would not necessarily affect Starbucks. There might be some price impact. The **analysis is 'good'** as it is well-reasoned and based on a clear understanding of supply and the supply chain. The levels of detail and the analysis of the 'why' and 'how' set this apart from a level 1 answer.

QUESTION 7

To what extent could Starbucks be viewed as a successful organisation? Justify your view.

[20]

LEVEL 2 ANSWER (6-10 MARKS)

Starbucks is successful because it has many outlets and customers. It is a brand that is known world-wide and there seems to be an outlet on every high street (Extract C says 230 in New York in 2008). For a firm that sells cups of coffee, it is really about being visible to everyone, like Coca Cola, and Starbucks definitely is. It is also about how much coffee it sells and the evidence is that Starbucks sells a lot. Its products are liked by customers and the saturation point referred to in Extract C does not seem to have meant any real decline in sales. Share price continues to rise and Starbucks clearly is successful at having a plan as it appeals to new areas like tea and healthy options. Expansion in China and India (Extracts D and E) tell of just how global the Starbucks brand actually is. It is also good at managing supply (Extract F) and so, combined with its treatment of staff (in its six point list of principles); Starbucks is, by every viewpoint, a successful organisation.

EXAMINER COMMENTARY

This response is 'reasonable' in all respects. It is a little more than a list of reasons as to why Starbucks could claim to be 'successful', but not much more. Really this is because there is little here that falls firmly into the level 3 'good' category. Specifically, arguments are put forward, such as 'share price continues to rise' and 'Expansion in China and India...' but these are not really analysed or scrutinised at all. The discussion about the 'visibility' at the start might, at a stretch, be somewhere at the top end of 'reasonable' but the superficial/simple statements in the second half have no elaboration whatsoever – they are taken at face value and no more. It is fair to say that the knowledge and understanding are reasonable – there is a list of points to back up the claim that Starbucks is successful, but the lack of analysis and evaluation would keep this answer firmly at the bottom of level 2. Points are simply not developed.

Clearly there is a scale here and it is the development, in terms of analysis and evaluation, of these points that could bring this answer up to level 3 if those skills had some depth to them (i.e. 'good') and then up to level 4 if they were in considerable depth, i.e. they were 'strong'. What is illustrated in this example does not reach anywhere near level 3 or 4.

LEVEL 3 ANSWER (11-15 MARKS)

Starbucks is clearly a highly successful firm. It sets out to be the 'premier purveyor of the finest coffee' in its mission statement and if it succeeds in doing this then it is indeed a successful firm.

Its principles are sound – assuming they are adhered to – and they seem to have the right balance in terms of satisfying different stakeholder groups – particularly customers, employees and the owners (in terms of profitability). A successful organisation is one that may (or may not) have experienced growth. This is certainly true of Starbucks – its growth has been incredible – but it successfully recognised that rapid expansion is unsustainable and so took the decision to close stores in 2008 if they were underperforming. Surely that is good management and strategic thinking. It then (Extract C) went for growth again when the time was right and deliberately set itself apart from the likes of McDonald's – now competing in the coffee market. Starbucks has taken Porters' Five Forces seriously and not underestimated any particular threat. In so doing it has successfully moved away from competition, ensuring that its own brand and way of serving coffee is unique. This awareness and market orientation make Starbucks a very successful firm, which is reflected in the share price (Fig. 1) rising over a protracted period of time. A more recent and big driver of success is Starbucks' expansion overseas. China, India and so forth have provided relatively untapped and highly lucrative markets, assuming coffee is sold in the right way – indeed the 'right way' might be to sell it as tea...which Starbucks has done. Again, the mark of a successful organisation – the adaptability to different markets and be flexible enough to change products but maintain a core image. Starbucks is highly successful at this.

Another measure of the success of Starbucks is the ability to innovate and use technology. The use of smartphones for transactions and its loyalty programme have kept Starbucks at the cutting edge and, in the 21st century is absolutely what a huge and successful multi-national needs to do. Indeed, Starbucks seems to be market leader in many of these respects – as it is with the way in which it sources its supplies. For it to be successful it needs reliable, high quality supply at the right price. The way in which Starbucks is set up with roasting centres pulling in coffee beans from the other side of the world is testament to an organisation that has first rate logistics.

Hence, Starbucks is most certainly a successful company, yet most of the evidence, if not all, is positive and it would be wrong to assume that that is the sum total of evidence upon which to judge the success of the organisation. To reach a more valid judgement there needs to be a closer look at some opposing viewpoints – not itemised in these extracts.

EXAMINER COMMENTARY

This answer is 'good' insofar as there is clearly a decent knowledge and understanding of the relevant concepts or 'judgement factors' with which Starbucks can be assessed. There is also a systematic analysis that takes each extract in turn and analyses why Starbucks is successful. Indeed, there are many examples of this and it is therefore relatively easy to argue the case for judging Starbucks a success. What this answer lacks is an opposing view – limited by the lack of contrary articles. This means that, whilst the arguments/ **analysis are good, and borderline 'strong' in places**, there is an inherent lack of depth. This answer really takes points from the text and expands on them but avoids any really further development and certainly considers why they might not be true or certainly representing the whole picture. Hence the answer is one-sided, which makes the evaluation pretty limited throughout, but with a better attempt at the end. The final paragraph is, with **regards to evaluation, at the very bottom of 'good'**, if that. In short, the answer is perfectly sound, much of it 'good' but somewhere near the bottom of **level 3** because of the somewhat laboured approach and lack of evaluative, two-sided discussion.

LEVEL 4 ANSWER (16-20 MARKS)

From the evidence presented in all of the extracts, Starbucks would appear to be a highly successful organisation. It sets out very specific mission statement principles which, if adhered to, would, by any yardstick, make Starbucks a successful entity. But there is a world of difference between saying it and doing it and there are many unanswered questions from any stakeholder's viewpoint. Take the first 'principle' regarding treatment of employees. There is no evidence for or against this in any of the extracts – it is simply a statement of intent. Yes, it could be argued that a large global organisation like Starbucks, that does its 'production' on the high street, could not really get away with poor working conditions in the way firms can who outsource production to developing world sweat-shops. Figures of relative wages, labour turnover, employment satisfaction surveys would help us make a better judgement, but from the point of view of the employee there is simply no evidence to argue one way or the other.

From a customer viewpoint, one could simply point to the success Starbucks has had in terms of outlets opened and demand generally. It must be doing something right. Yet there are periods (Extract C) alluded to where Starbucks lost that 'edge' and it perhaps over-reached itself. This is not the same thing as customers not viewing it as the best on the high street, but certainly there was a saturation. But it is the sheer volume of stores opening in USA and, more recently, overseas which suggests success. Indeed, the fact the Starbucks is prepared to innovate and essentially does what the customer wants would suggest that the organisation is a roaring success from the viewpoint of that stakeholder. What is not stated is the lack of choice brought on by the dominant position of Starbucks and its ubiquity. Is this in the consumer interest? There is no reason why customers should all be lumped together either – the views might be wildly different in China, India, USA where Starbucks has, by necessity, had to adapt its approach – not necessarily successfully.

The owners cannot fail to be impressed by the share price performance, although Fig. 1 only covers a three year period. There is a lot of time unaccounted for. Again, the evidence is more indirect in terms of business performance – not simply the measure of a share price over time. The very fact that Starbucks has opened so many stores suggests profitability and this business model seems to thrive on the burgeoning popularity as the name of this global giant spreads around the globe. To have a Starbucks in town becomes an aspirational ideal for the town and the customers alike and it is this that continues to fuel the growth engine within Starbucks. That said, there is no detail whatsoever in terms of accounting information or Starbucks' profit situation generally and it is feasible that the organisation could be so highly geared that it is vulnerable to the changes in the external environment like any other such firm.

The success of Starbucks' logistics (Extract F) cannot really be in doubt. It successfully pulls together coffee and other supplies from around the world, implements its own system of production (in the roasting centres) and distributes its product with certainty, standardisation and efficiency. What we don't know, nor probably does Starbucks, is the costs – or rather opportunity costs. How much better could it be in terms of logistics and supply chain management? We shall never know, but presumably it is not at an economic optimum. Or maybe it is. Certainly there will be environmental costs and impacts on its suppliers, not least the farmers who grow the coffee who become increasingly dependent on this monopoly buyer of their product. No doubt part of Starbucks' success is the wealth it has spread to others in the supply chain, but to what extent is something that cannot be answered without far more information.

EXAMINER COMMENTARY

The evaluative style of this answer quite simply puts this at the **top of level 4**. It is a significant improvement on the level 3 answer – indeed about 8 marks improvement. This is largely because of the questioning nature of the approach. It approaches the key stakeholders in turn and essentially uses the extract evidence to put forward the reasons why Starbucks IS successful and then uses a mixture of logic, business knowledge and 'challenge' to evaluate the extent to which those judgements are accurate. It is quick to point out what is NOT in the extracts or the limitations of what is there – in other words it critically evaluates the evidence in arriving at the view as to whether Starbucks is successful or not. Realistically, there is no way that Starbucks could be viewed as conclusively successful from the evidence put forward. It is too simplistic, one-sided, almost 'sensationalist'. This answer really gets to grips with the evidence and thus argues with rigour and authority – an authority that the level 2 and 3 answers are totally lacking. On all four skills (knowledge, understanding, analysis and evaluation) this answer is clearly at the top of the range and is the only one that really puts together a properly structured two-sided response.



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