

Business Studies

Advanced Subsidiary GCE

Unit **F291**: An Introduction to Business

Mark Scheme for January 2012

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

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

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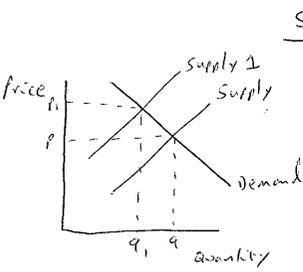
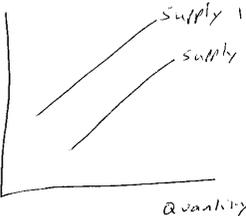
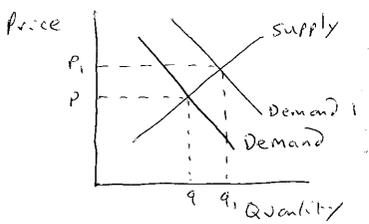
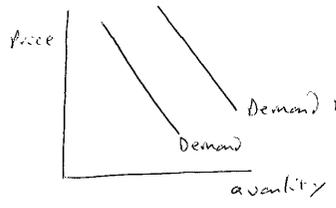
Annotations

Annotation	Meaning
	Unclear
	Benefit of doubt
	Cross
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	No use of text
	Own figure rule
	Repetition
	Noted but no credit given
	Too vague
	Tick

Question		Answer	Marks	Guidance	
				Content	Levels of response
1	(a)	<ul style="list-style-type: none"> To find out what the customer wants To explore trends To find out reactions to a new idea/product To find the right price at which to sell at To discover the best way of marketing/advertising/promoting a product To find out how McDonalds' products/prices compare with other companies To identify target market To sell more In order to find new markets In order make more revenue/profit To ascertain customer satisfaction To find future/potential demand To encourage customer loyalty 	2	<p>Do NOT accept : Statements such as-</p> <ul style="list-style-type: none"> To find customer needs(stem of question) To find demand 	<p>2 x 1 mark</p> <p>Candidates can gain both marks by stating two correct points within one reason.</p>
	(b)	<ul style="list-style-type: none"> Observation – watching customers 'in action' in the branch. Seeing how long they wait. Recording gender profile, etc. Can be time consuming but can generate specific information. Interviews – a number of individuals are interviewed to seek information about products/prices/service, etc. Can be a lengthy process. A formal set of questions needs to be followed. Customers can 'have their say'. Questionnaires OR surveys(not both) – Pre-set questions used to gather data. Can be done via post, face to face, on the phone or online, can use open or closed questions. Data could be qualitative or quantitative. Product trials – testing products/ideas with certain demographic groups and/or geographical areas. Basically it is 'test marketing'; results can be used for a full scale 	4	<p>Allow reference to any valid method of gathering primary data.</p> <p>Accept location of method e.g. on the street, in shop etc.</p> <p>DO NOT ACCEPT SAMPLING as a method of obtaining primary data.</p>	<p>Mark as 2 x (1 + 1)</p> <p>A brief, simple outline of the method will be sufficient for the second mark. Second mark must be related to the method itself.</p>

Question			Answer	Marks	Guidance	
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			<p>launch. Prevents costly mistakes.</p> <ul style="list-style-type: none"> • Focus groups – a panel of consumers to test and pass comment/views on products, price, packaging etc. May meet over a period of time. • Comments box – may be unstructured, in store and have faster feedback. This could be a suggestion box instore or online. 			

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	(c)	<ul style="list-style-type: none"> • Cost/'it's cheap'/'more efficient' • Easy/simple to do • It saves time • Processing time (of data) is quicker • (If done properly) sampling can be quite accurate (and therefore, sufficient) • It is not necessary to research the whole market • It may not be practicable to research the whole market • Representative of the whole population/target market 	2	<p>Simple statements will be sufficient. Technical marketing terms/concepts are NOT necessary here.</p> <p>Do NOT award credit for references to market research e.g. 'it would help to outline the needs of the target market'. 'To get a range of different opinions'.</p> <p>Do NOT credit stating types of sampling.</p>	<p>2 x 1 mark</p> <p>Candidates can gain both marks by stating two correct points within one reason.</p>

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2	<p>NB A diagram is NOT necessary.</p> <p>Level 2. If a correct diagram is drawn with no accompanying written analysis this is still a Level two answer: award 3 or 4 marks as shown below.</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;">  <p>4 Marks</p> </div> <div style="text-align: center;"> <p><u>SUPPLY</u></p>  <p>3 Marks</p> </div> </div> <div style="display: flex; justify-content: space-around; align-items: flex-start; margin-top: 20px;"> <div style="text-align: center;"> <p><u>DEMAND</u></p>  <p>4 Marks</p> </div> <div style="text-align: center;">  <p>3 Marks</p> </div> </div>	6	<p>Accept references/implied references to a reduction in competition in the fast food industry as a whole, to McDonalds as a corporate entity, or to an individual branch of McDonalds.</p> <p>Diagrams which confuse demand and supply should not be rewarded. However written explanation may still be rewardable.</p>	<p>Level 3: 6 – 5 marks Some analysis of the effect(s) on McDonalds.</p> <p>Level 2: 4 – 3 marks Understanding demonstrated of concepts involved.</p> <p>Level 1: 2 – 1 marks Appropriate concepts (supply, demand and price) identified.</p>

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			<p>Supply If there is no diagram, accept comments such as ‘market price will/may go up’ (3 marks). If a comment such as ‘and so the quantity of food/meals being sold will fall’ is added, this will be 4 marks.</p> <p>And vice versa ‘the number of meals sold will go down’ is 3 marks. The addition of ‘because the price has gone up’ makes it 4 marks.</p> <p>Demand If there is no diagram accept comments such as “The demand for McDonalds’ food/meals will go up (3 marks) If a comment such as “because they will get some of the competitor’s business” is added, this will be 4 marks”.</p>		<p>On a demand and supply diagram at industry level this reduced competition will change (reduce) the conditions of supply. (NB technical terms are not necessary). This is shown by a shift of the supply curve to the left. In theory this means less food is sold but at a higher price.</p> <p>Alternatively, the effect on McDonalds’ demand could be shown. This would be shown as a rightward shift of the demand curve since it is reasonable to assume that McDonalds would be gaining some business from the competitor who has gone out of business.</p>	

Question			Answer	Marks	Guidance	
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			<p>For level 3 award the level for simple statements, <i>accompanying a diagram or not</i>, of the effect on, implication, consequence of, or reaction by McDonalds such as:</p> <p>(In the case of supply changes) “Although less is sold, the higher price could/will increase revenue/profit” (5). “And if costs stay the same/low/are kept down this will mean more profit” (6).</p> <p>(In the case of demand changes) “More is sold at a higher price and this could/will increase revenue/profit” (5). “And if costs stay the same/stay low/are kept down/McDonalds gets economies of scale this will mean more profit” (6).</p> <p>“McDonalds now does not need to advertise (promote/market) as much (5) “because there is one less competitor to deal/compete/fight with” (6)</p> <p>“The rise in demand means that McDonalds can now increase its market share” (5) “if it takes the right (marketing) decisions” (6).</p> <p>Comments about the extent (and/or likely duration) of the price/demand change are also valid. “If the price rise is small it will not affect it much” will be Level 3.</p>		<p>For L3 a ref to revenue increasing is acceptable but for 6 marks there has to be ref to costs. Cannot just say ‘profit will increase’</p> <p>Allow reference to an INCREASE in the SUPPLY of ingredients/raw material to McDonalds (as their supplier has lost a customer and now seeks to supply more to McDonalds) resulting in price fall – ie a fall in McDonalds costs. This fall in costs could raise McDonalds’ profit. Such an answer would attract credit at L3.</p>	

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3	(a)	<ul style="list-style-type: none"> • McDonalds does not have to spend large amounts of money in order to expand – franchisees provide the capital for expansion. It can expand without incurring huge amounts of debt. • The more branches there are, the greater the brand recognition/number of customers/market share/sales revenue/profit. • McDonalds reduces its risk by expanding in this way - because the expansion is financed by the franchisee. • McDonalds can expand more rapidly - than if it only operated through company owned outlets. • The terms on which the products necessary for the franchise to operate are under McDonalds' direct control - it can therefore increase revenue/profit. • McDonalds will get regular income/revenue/profit - from royalty payments. • A McDonalds franchisee may be more motivated to maximise sales and profits for McDonalds than a salaried branch manager. McDonalds will therefore benefit. • Applicants to become franchisees will be carefully selected for their suitability - franchises should therefore, generate a continuous stream of revenue/profit for McDonalds from franchisees determined to make their business succeed. 	4	Do NOT reward benefits to the franchisee.	Mark as 2 x (1 + 1) A brief, simple outline of the reason will be sufficient for the second mark.

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	(b)	<ul style="list-style-type: none"> • There is an established brand name – potential customers will be familiar with the product or service on offer and so it should take less time to establish the business/break even/start making a profit. • It makes setting up a business easier and it reduces the risk of business failure. The brand is well known and most difficulties should have been ‘ironed out’ by McDonalds years ago and so business risks are minimized. • Initial and ongoing training – a franchisee will be trained in all aspects of the running a fast food business. This is useful as a potential franchisee may only have knowledge /experience of one of the four key business functions (or they may have knowledge of all four but in a different business context). S/he will therefore be more likely to succeed. • Ongoing support and advice – e.g. in market research and marketing. McDonalds’ franchisees are thus able to have their products promoted through mass media which would otherwise be closed to them. As they do not have to perform certain functions, the franchisees can concentrate their effort on selling the food and making more profit. • Finance – A bank knows that McDonalds will be ‘choosy’ with regard to franchisees and will pick those most likely to succeed. McDonalds will insist the franchisee operates using a particular business model and plan. The brand is well known and so hopefully it will be easier to obtain finance (and at a better rate of interest) than someone starting their own business ‘from scratch’. • Sometimes franchisees are given exclusive ‘territorial rights’– this, essentially gives them a monopoly over the brand in the allocated area. If McDonalds operates this sort of policy, then this will, hopefully, increase revenue/profit for their franchisees. 	10	<p>Essentially answers will revolve around the point that through taking out a franchise, a franchisee should have a distinct advantage over another independent competitors in the same market.</p> <p>A brief mention of McDonalds will be sufficient for context and L3, assuming analysis is present.</p> <p>One obvious route into L3 is comparing benefits of a McD franchise with ‘going it alone’. Whereas just explaining the benefits of operating as a franchise is only rewardable at L2.</p> <p>Do NOT credit benefits to McDonalds as the franchisor</p>	<p>Level 3: 10 – 7 marks Some analysis of benefit(s) to McDonalds’ franchisees.</p> <p>Level 2: 6 – 4 marks Some understanding of issue(s).</p> <p>Level 1: 3 – 1 marks Knowledge of franchising/franchisees stated.</p> <p>Two factors analysed award 9 or 10 marks</p> <p>One factor analysed award 7 or 8 marks</p> <p>Two factors explained award 5 or 6</p> <p>One factor explained award 3 or 4 marks</p>

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4		<p>The ethical treatment of McDonalds' employees in matters such as health and safety, pay, conditions of work and service (holidays, pensions etc) is likely to mean more commitment and productivity. Thus less money is spent because labour turnover and absenteeism are lower.</p> <p>There are recruitment issues. By acting ethically McDonalds may be more attractive to potential employees. People are increasingly concerned about 'green' issues. This could be an important factor in recruitment – especially of managers and senior executives who want to work for an ethical organisation. 'The best (i.e. most talented) people' may not want to work for an unethical business.</p> <p>By 'putting something back' McDonalds will generate favourable publicity and quite possibly sales at the local level. It may also assist with the recruitment and retention of staff.</p> <p>By building a good relationship with its suppliers based on ethical principles (eg regular orders and prompt payment) could be useful to McDonalds if ingredients or other supplies are needed urgently.</p> <p>McDonalds' ethical approach can be used for marketing purposes. The business' ethical stance could be used as part of its promotional strategy; for many consumers ethics are a key factor in whether to buy or not. Some people will not buy products from (or work in) any business which behaves in an unethical manner. Presumably this was one of the reasons for the 'makeover'.</p> <p>May also be used to market the company and subsequently attract additional franchisees by being ethical.</p> <p>It may increase profits. Allow references to recycling, their energy policy etc lowering McDonalds' costs.</p>	14	<p>It may be the case that running McDonalds in an ethical way might not be because of the likely benefits but simply because those who run the company at a senior level believe that this is how a business should be run. However, there are a number of possible benefits.</p> <p>Allow reference to McDonalds as a corporate entity or to an individual branch.</p> <p>Evaluation could be achieved by a weighting of the factors and/or a consideration of factors in the short term and long term. Award scripts that highlight the reasons why being ethical will avoid the negative aspects such as falling revenue /profits.</p> <p>DO NOT accept 'to</p>	<p>Level 4: 14 – 11 marks Some evaluation of the likely reason(s) for McDonalds' concern with ethics. Evaluation may not only occur in the last paragraph.</p> <p>Level 3: 10 – 7 marks Some analysis of likely reason(s) in context.</p> <p>Level 2: 6 – 4 marks Some understanding of issue(s).</p> <p>Level 1: 3 – 1 marks Knowledge of ethics/ethical business issues identified.</p>

Question			Answer	Marks	Guidance	
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					<p>comply with legislation'. Ethics are not the same as 'the law' and McDonalds should be complying with it anyway.</p>	

Question		Answer	Marks	Guidance	
				Content	Levels of response
5*		<ul style="list-style-type: none"> Adequate/appropriate finance for growth The number of (appropriate) people who want to buy the franchise Effective 'screening' of franchise applicants. Poor franchisees can result in a poor overall corporate image, bad publicity etc. The same applies to training and 'ongoing support' for franchisees. Adequate cash flow – accept 'enough money to pay the bills', etc. The 'right staff' at 'frontline' and managerial level. Also high employee morale/motivation – slow/rude/ineffective staff can put 'customers off' returning. Market research Appropriate marketing (<i>NB detailed knowledge not required</i>). Meeting customer needs in terms of prices charged, products demanded, etc Ability to respond to 'the market', eg healthier products, competitors' actions, changes in income, etc Appropriate (i.e. SMART) strategic and tactical objectives A clear business plan Regular evaluation of progress towards objectives Taking 'appropriate risks' e.g. new products Ability to respond to technological changes in the fast food industry Allow also references to the state of the economy and the consequences for the demand for McDonalds' products that might follow from it. <i>NB Detailed knowledge not required.</i> 	18	<p>Accept answers for McDonalds as a corporate entity or in the context of its individual outlets (franchised or not.)</p> <p>Reference to 'success' can be exemplified by reference to increased sales/revenue/profit/market share, reduction in costs/increasing share price etc.</p> <p>The answer is likely to be drawn from several sections of the specification e.g. "What businesses need" Objectives" / "The market" and "Other influences".</p> <p>Evaluation could be achieved by a weighting of the factors or/and a consideration of factors in the short term and long term</p>	<p>Level 4: 18 – 14 marks Some evaluation e.g. supported judgment concerning the factor(s) which are likely to influence McDonalds' future success. Evaluation may not only occur in the last paragraph. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3: 13 – 9 marks Some analysis of the factor(s) which are likely to influence McDonalds' future success. Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p>

Question			Answer	Marks	Guidance	
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					<p>When considering changes in consumers' income allow references to McDonalds' food as either a 'luxury' product or a 'cheap fast food' product.</p>	<p>Level 2: 8 – 5 marks Some understanding of the issues(s). Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1: 4 – 1 marks Knowledge recalled about factors influencing a business' success/operation. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p>

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