

Applied Business

Advanced GCE

Unit **F248**: Strategic Decision Making

Mark Scheme for January 2011

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	Tick
	Cross
	Benefit of doubt
	Unclear
	Repeat
	Level 1
	Level 2
	Level 3
	Level 4
	Own figure rule
	Accepted as context
	Not answering question
	Candidate's response seen

Question	Expected Answers	AO	Mark	Additional Guidance
1 (a)	<p>What is meant by the term 'business objective'?</p> <p><i>Up to two marks for the meaning of 'business objective'.</i></p> <p>A business objective is an explicit target designed to work towards the overall aim of an organisation. It provides a business with a clear sense of direction, acting as both a statement of intention and a goal to work towards in the short-term. Objectives should be specific, measurable, achievable, realistic and time specific.</p> <p>Eg A business objective is a specific and measurable step a business wishes to take (1) in order to help achieve its aims (1).</p> <p>Eg Objectives give the business something precise to work towards (1). They should be measurable (1).</p> <p>Eg Short-term target (1) to meet business aims (1).</p> <p>Eg What a business wants to achieve in a set period of time (1).</p>	AO1 2	2	<p>Acceptable annotation = ✓</p> <p>Do not award examples.</p> <p>Accept use of the acronym "SMART".</p> <p>Do not accept 'long-term', aims are long-term.</p> <p>'Goal/target/achieve' are repetition.</p> <p>No context required.</p>
1 (b)	<p>Maybeck is soon to have its first discount supermarket. Explain one negative impact the opening of the discount supermarket is likely to have on <i>Greengages</i>.</p> <p><i>One mark for a correct negative impact, plus up to one further mark for a development in context.</i></p> <p>Negative impacts include:</p> <ul style="list-style-type: none"> • Increased competition • Less passing trade • Loss of custom • Greater price competition • Greater availability of fruit and vegetables • Increased marketing budget • Greater reliance on personal service 	AO1 1 AO2 1	2	<p>Acceptable annotation = ✓</p> <p>Impact must be negative.</p> <p>Accept generic context as long as it is appropriate.</p> <p>1 mark for negative impact. 1 mark for reason.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
	<ul style="list-style-type: none"> • Greater reliance on non-price competition • Falling sales • Lower profits • Lower profit margins • Loss of market share <p>Reasons include:</p> <ul style="list-style-type: none"> • Lower prices • Convenience • Wider range of produce • Location <p>Eg The discount supermarket will sell the fruit and vegetables more cheaply (1) and some of <i>Greengages</i> customers may choose to shop at the discount supermarket instead (1).</p> <p>Eg Trevor may be forced to lower his prices (1) to match the competition (1).</p>			
1 (c)	<p>What is a contingency plan?</p> <p><i>Up to two marks for the meaning of 'contingency plan'.</i></p> <p>A contingency plan is an alternative plan devised in case difficult circumstances arise. It is a proactive management approach where a 'plan b' is created to be implemented in the case of potential adverse circumstances actually occurring. Its aim is to minimise any risk to a business.</p> <p>Eg A plan for the unforeseen (1) enabling management to deal with the situation as quickly and efficiently as possible (1).</p> <p>Eg It is used to help the business survive a crisis (1) it does this by planning beforehand (1).</p>	AO1 1	2	<p>Acceptable annotation = ✓</p> <p>No context required.</p> <p>Accept an example only if used to clarify.</p> <p>Accept answers relating to definition or purpose.</p> <p>Accept 'what if' scenarios.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
2 (a)(i)	<p>Calculate the annual wastage rate for the 'Station' shop.</p> <p><i>Up to two marks.</i></p> $\frac{\pounds 2600}{\pounds 260000} \times 100 = 1\%$ <p>No workings required. Award full marks for the correct answer.</p> <p>Workings should only be marked if the final answer is incorrect. Award one mark if 'x100' omitted.</p> <p>Eg 1 (2)</p> $\frac{\pounds 2600}{\pounds 260000} (1)$ <p>Eg $\frac{2600}{260000} (1)$</p>	AO1 2	2	<p>Acceptable annotation = ✓</p> <p>Award full marks for 1% no working required.</p> <p>No marks for formula.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
2 (a)(ii)	<p>Calculate the annual wastage rate for the 'University' shop.</p> <p><i>Up to two marks.</i></p> $\frac{\pounds 1950}{\pounds 130000} \times 100 = 1.5\%$ <p>No workings required. Award full marks for the correct answer.</p> <p>Workings should only be marked if the final answer is incorrect. Award one mark if 'x100' omitted.</p> <p>Eg $1\frac{1}{2}$ (2)</p> $\frac{\pounds 1950}{\pounds 130000} (1)$ <p>Eg $\frac{1950}{130000} (1)$</p>	AO1 1 AO2 1	2	<p>Acceptable annotation = ✓</p> <p>No workings required award full marks for 1.5%.</p> <p>Do not award marks for the formula as this is provided for the candidates.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
2 (b)	<p>Explain two possible reasons for the differences in wastage rates between the two shops.</p> <p><i>One mark for each possible reason up to a maximum of two reasons, plus up to one further mark for each of two explanations.</i></p> <p>Responses include different:</p> <ul style="list-style-type: none"> • stock control methods • end of day discount policies • sales techniques • efforts to sell short date stock • display policies (outside) • stock rotation system • manager attitudes • management style • ordering skills • motivation levels • pay rates • size of shop • labour productivity levels • how busy shop is/more customers • level of sales • cold storage facilities. <p>Eg The 'station' shop is busier than the 'university' shop (1) and so is likely to find more customers at the end of the day willing to purchase the reduced stock (1).</p> <p>Eg Alex, the 'university' shop manager may not have been trained in stock rotation (1) selling the freshest produce first and increasing the levels of wastage (1).</p>	AO1 2 AO2 2	4	<p>Acceptable annotation = ✓</p> <p>1 mark for reason/difference. 1 mark for explanation.</p> <p>Accept any plausible reason; it does not have to be taken from the case study.</p> <p>Watch out for the common misconception that the busier shop automatically has less wastage because of more sales.</p> <p>Do not accept any external factors eg more passing trade, location of store.</p> <p>Accept re-using fruit and vegetables to produce smoothies, soups.</p> <p>Do not accept the shops sell different fruit and veg.</p> <p>Do not award development mark for incorrect reason.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
	<p>Eg The staff at the 'university' shop may not be as committed to the business because they are paid less than the 'station' shop staff (1) therefore they cannot be bothered with the hassle of trying to "sell-off" short date stock (1).</p> <p>The station shop is busier (1) so is able to sell most of its stock leaving less wastage (0 – explanation incorrect).</p>			
2 (c)	<p>The rate of labour turnover at both shops in 2010 was high. Explain one way in which Trevor might be able to improve <i>Greengages'</i> labour turnover rate.</p> <p><i>One mark for a way, plus one further mark for an explanation in context.</i></p> <p>Responses include:</p> <ul style="list-style-type: none"> • higher wage rate • better working conditions • improved holiday provision • more careful recruitment strategy eg fewer students who naturally move on • increased flexibility – hours, rotas etc • democratic management/increased staff input in decision-making • manager training • staff empowerment • fringe benefits • motivational techniques. <p>Eg Improving working conditions (1) would mean that staff will be less likely to look for a new job (1).</p> <p>Eg If Trevor pays them more (1) they are more likely to want to keep their job (1).</p> <p>Eg Offering staff a say in how they would like to see things improved (1) increases their commitment to the business (1).</p>	AO1 1 AO2 1	2	<p>Acceptable annotation = ✓</p> <p>One mark for the method. One mark for link with labour turnover rates.</p> <p>Do not accept hiring more staff as a method.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
3 (a)(i)	<p>Complete the decision tree above by writing the final expected value in the decision square.</p> <p><i>Up to two marks.</i></p> <p>Option 1 ev = £43680 - £12000 = £31680 Option 2 ev = £59600 - £22000 = £37600 Option 3 ev = £38200 - £4000 = £34200</p> <p>Option 2 is greatest. Answer = £37600.</p> <p>No workings required. Award full marks for the correct answer.</p> <p>Workings should only be marked if the decision square is empty. In which case award one mark if all of the three expected values above are shown or two marks if option 2 ev £37600 is in some way indicated as the candidate's selection.</p> <p>Eg £37600 (in decision square) (2)</p> <p>Eg 37600 (decision square empty but clearly indicated as the selection in the workings box or on diagram) (2)</p> <p>Eg £31680, £37600, £34200 (without any indication as to which should be selected if working box is empty) (1)</p>	AO1 1 AO2 1	2	<p>Acceptable annotation = ✓</p> <p>Award full (2 marks) for £37600 if shown in the decision square.</p> <p>If the answer in the decision square is incorrect award zero.</p> <p>Only read the workings if the decision square is empty.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
3 (a)(ii)	<p>According to the decision tree, identify the best option for Greengages.</p> <p><i>For one mark.</i></p> <p>Answer = Option 2 Smoothies and soups</p> <p>Eg Option 2 (1)</p> <p>Eg Soups and smoothies (1)</p>	AO2 1	1	<p>Acceptable annotation = ✓</p> <p>Award full (one mark) for correct answer only.</p> <p>No OFR.</p>
3 (b)(i)	<p>Identify which option has the greatest chance of success;</p> <p><i>For one mark.</i></p> <p>Answer = Option 3 Sell flowers</p> <p>Eg Option 3 (1)</p> <p>Eg Sell flowers (1)</p> <p>Eg Set up a floristry shop (1)</p>	AO2 1	1	<p>Acceptable annotation = ✓</p> <p>Award full (one mark) for correct answer only.</p>
3 (b)(ii)	<p>Identify which option has the highest predicted return if successful.</p> <p><i>For one mark.</i></p> <p>Answer = Option 1 Internet deliveries</p> <p>Eg Option 1 (1)</p> <p>Eg Internet deliveries (1)</p> <p>Eg Selling online (1)</p>	AO2 1	1	<p>Acceptable annotation = ✓</p> <p>Award full (one mark) for correct answer only.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
3 (c)	<p>State two disadvantages to a business such as <i>Greengages</i> of using a decision tree as a strategic decision-making tool.</p> <p><i>One mark for each correct disadvantage up to a maximum of two disadvantages.</i></p> <p>Responses include:</p> <ul style="list-style-type: none"> • probabilities impossible to estimate accurately • quantitative only • easy to bias to preferred decision • external factors can make analysis inaccurate • pseudo-scientific • timing not considered. <p>Eg Probabilities of success and failure are difficult to judge (1).</p> <p>Eg It is easy to manipulate the figures to make favourable the option you prefer (1).</p>	AO1 2	2	<p>Acceptable annotation = ✓</p> <p>Do not award advantages.</p> <p>Do not award answers that apply to all quantitative decision making tools eg DNA only an estimate, not reliable, inaccurate, only a prediction, only as good as the data used.</p> <p>No context required.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
<p>4 (a)i</p>	<p>Calculate, showing your workings, the payback period for each of the options under consideration at <i>Greengages</i>. In each case express your answer in months.</p> <p><i>Up to two marks.</i></p> <p>Option 1 (Internet deliveries) Outflow Year 0 £12000 Inflow = £4000 + £8000/£16000 Payback period = 1.5 years = 18 months</p> <p>Award full marks for the correct answer - 18 months. Award one mark for answers in years – 1.5 years or 1 year 6 months.</p> <p>Workings should only be marked if the final answer is incorrect. In which case award one mark if the correct calculation is seen.</p> <p>Eg 18 months (2)</p> <p>Eg 1¹/₂ years (1)</p> <p>Eg 4000 + 8000/16000 (1)</p>	<p>AO1 1 AO2 1</p>	<p>2</p>	<p>Acceptable annotation = ✓</p> <p>NB Question asks for answer in months.</p> <p>No workings required.</p> <p>Award full marks for 18 months.</p> <p>Award one mark for 1.5 years/ 1 year 6 months.</p>
<p>4 (a)(ii)</p>	<p><i>Up to two marks.</i></p> <p>Option 2 (Smoothies and soups) Outflow Year 0 £22000 Inflow = £14000 + £8000/£32000 Payback period = 1.25 years = 15 months</p> <p>Award full marks for the correct answer - 15 months. Award one mark for answers in years – 1.25 years or 1 year 3 months.</p> <p>Workings should only be marked if the final answer is incorrect.</p>	<p>AO1 1 AO2 1</p>	<p>2</p>	<p>Acceptable annotation = ✓</p> <p>NB Question asks for answer in months.</p> <p>No workings required.</p> <p>Award full marks for 15 months.</p> <p>Award one mark for 1.25 years.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
	<p>In which case award one mark if the correct calculation is seen.</p> <p>Eg 15 months (2)</p> <p>Eg $1\frac{1}{4}$ years (1)</p> <p>Eg $14000 + 8000/32000$ (1)</p>			
4 (a)(iii)	<p><i>Up to two marks.</i></p> <p>Option 3 (Sell flowers) Outflow Year 0 £4000 Inflow = £4000/£6000 Payback period = 0.67 years = 8 months</p> <p>Award full marks for the correct answer - 8 months. Award one mark for answers in years – 0.67 years.</p> <p>Workings should only be marked if the final answer is incorrect. In which case award one mark if the correct calculation is seen.</p> <p>Eg 8 months (2)</p> <p>Eg $\frac{2}{3}$ years (1)</p> <p>Eg $4000/6000$ (1)</p>	AO1 1 AO2 1	2	<p>Acceptable annotation = ✓</p> <p>NB Question asks for answer in months.</p> <p>No workings required.</p> <p>Award full marks for 8 months.</p> <p>Award one mark for 0.67 years (or 0.66 years).</p>

Question	Expected Answers	AO	Mark	Additional Guidance
4 (b)	<p>Assess the extent to which payback figures are useful to Trevor when comparing the three options.</p> <p>Level 1: [1-2 marks] Candidate demonstrates knowledge of payback period as an investment appraisal technique.</p> <p>Level 2: [3-4 marks] Candidate describes the advantage(s) and/or disadvantage(s) of using payback figures for investment appraisal.</p> <p>Level 3: [5-6 marks] Candidate analyses issues surrounding the usefulness of payback figures to Trevor.</p> <p>Level 4: [7-8 marks] Candidate evaluates the extent to which payback figures are of use specifically to Trevor when comparing the three options.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • assumes the shorter the payback the better the investment • recognises the importance of the timing of returns on investment • beneficial to firms with liquidity/cash flow problems • allows crude comparisons to be made • potential to rule out capital investment with too long a payback period • useful if used alongside other appraisal methods. • only looks at speed of payback • time based only • unforeseen problems/external factors will affect its accuracy • does not give a yield figure • ignores future returns after payback reached • ignores future values of money • insufficient for investment appraisal if used alone 	AO1 2 AO2 2 AO3 2 AO4 2	8	<p>Required annotation = L1, L2, L3, L4.</p> <p>L1 statements about payback which are purely theoretical with no reference to Trevor or <i>Greengages</i>. Eg Payback is the amount of time it takes to get back the capital invested in a project.</p> <p>L2 Strengths and limitations of payback in generic context (ie to Trevor but may well apply to many other business as well) Eg Payback calculations do not take into account cash inflows from an investment received after the payback period has been reached.</p> <p>L3 Analysis of strengths and limitations of payback to Trevor (in generic or specific context) Eg If Trevor ignores future cash inflows then this may mean that he overlooks the most profitable of the options.</p> <p>To be awarded L4 a candidate must give a justified judgement as to the extent of the usefulness of Payback figures to Trevor following from candidate's previous analysis (L3).</p>

Question	Expected Answers	AO	Mark	Additional Guidance
	<ul style="list-style-type: none"> • quantitative only • comparisons with ARR/NPV <p>Eg Payback is only one of many investment appraisal techniques (L1). External factors such as changes in interest and exchange rates are not taken into account using this method (L2). Given the rate at which current interest and exchange rates are changing it would be more than likely that Trevor would be making a decision on what option to take from data which is at best out of date and at worst misleading (L3). Because the vast majority of the produce <i>Greengages</i> sells is imported, movements in exchange rates will have a greater effect on this business than many others, rendering the payback period even less beneficial to Trevor than it would be for many businesses (L4).</p> <p>Eg It calculates how long it will take for an investment to pay for itself (L1) this simplicity however means that it has limited use as it does not take into account the changing values of money over time, nor does it give an overall yield figure for the investment (L2). If Trevor were to choose an option because it has the shortest payback period, he might forego the more profitable option in the long run (L3). Nevertheless it is a useful tool for Trevor to use for comparison purposes as it does not demand any special business skills or training. We are not told Trevor has any business qualifications or training, and given that he has been in the greengrocery trade for many years, other techniques such as NPV and ARR may be too complicated for Trevor to either calculate or understand (L4).</p>			<p>NB to award L4 the evaluative comments must be in specific context, ie apply in particular to Trevor/Greengages comparing the three options.</p> <p>Do not award level 4 if candidate uses the standard argument of 'it should be used in conjunction with other tools' without justification.</p> <p>No OFR.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
5 (a)	<p>Explain two benefits to a business such as <i>Greengages</i> of using Ansoff's Matrix as a strategic decision-making tool.</p> <p><i>One mark for a correct benefit, to a maximum of two benefits, plus up to one further mark for each of two explanations.</i></p> <p>Responses include:</p> <ul style="list-style-type: none"> • Takes into account market positioning • Considers the relationship between a business and its environment • Highlights the nature of the venture being considered (market penetration, product development, market development and diversification) • Can be used to assess risk • Can be used to avoid too much risk if risk averse • Clarifies marketing strategy as appropriate to quadrant. <p>Eg It allows Trevor to put each of his three options into their correct quadrant (1) and see which is the most risky (1).</p> <p>Eg Gives an idea as to an appropriate marketing strategy with which to underpin the 4Ps (1) depending on the 'newness' of market or product (1).</p> <p>Eg Ansoff's Matrix assesses risk (1). Since Trevor is approaching retirement he may not want to take huge risks with what will be his retirement fund and so he is likely to choose a low risk option (1).</p> <p>Eg It shows that market penetration is low risk (1), Trevor does not appear to have considered such an option (1).</p>	AO1 2 AO2 2	4	<p>Acceptable annotation = ✓</p> <p>Must be a benefit not just a statement about Ansoff's Matrix.</p> <p>Do not award limitations.</p> <p>No context required.</p> <p>Do not award answers referring to decision-making tools in general. Eg DNA 'helps a firm make a decision' as all tools do that.</p> <p>Accept an example only if used to exemplify the response.</p> <p>It does NOT tell a business which market to choose or which option to take but which category/market they are in.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
5 (b)	<p>Explain two limitations to a business such as <i>Greengages</i> of using Ansoff's Matrix as a strategic decision-making tool.</p> <p><i>One mark for each limitation identified up to a maximum of two limitations, plus one further mark for each of two explanations.</i></p> <p>Responses include:</p> <ul style="list-style-type: none"> • no quantitative analysis • does not take into account the cost of the investment • does not take into account the expected yield • does not take into account external factors • only looks at market positioning • risk is dependent on more variables than market positioning • difficult to position some options • growth/expansion policy only • only considers risk • not time based. <p>Eg Ansoff's Matrix does not take into account the financial side of a proposed venture (1). It should only be used in conjunction with quantitative investment appraisal methods (1).</p> <p>Eg There is more to deciding upon a venture than risk (1). It should not be used on its own (1).</p> <p>Eg An option which appears low risk on Ansoff's Matrix, eg. market penetration (1) may be adversely affected by external factors, such as exchange rates, which Ansoff's Matrix does not consider (1).</p> <p>Eg The cost of an investment needs to be taken into account when making strategic decisions (1), Ansoff's Matrix does not take cost into consideration (1).</p>	AO1 2 AO2 2	4	<p>Acceptable annotation = ✓</p> <p>Must be a limitation not just a statement about Ansoff's Matrix.</p> <p>Do not award benefits.</p> <p>No context required.</p> <p>Accept an example only if used to exemplify the response.</p> <p>Do not award answers referring to decision-making tools in general. Eg DNA takes time, needs to be used with other tools, does not guarantee success.</p>

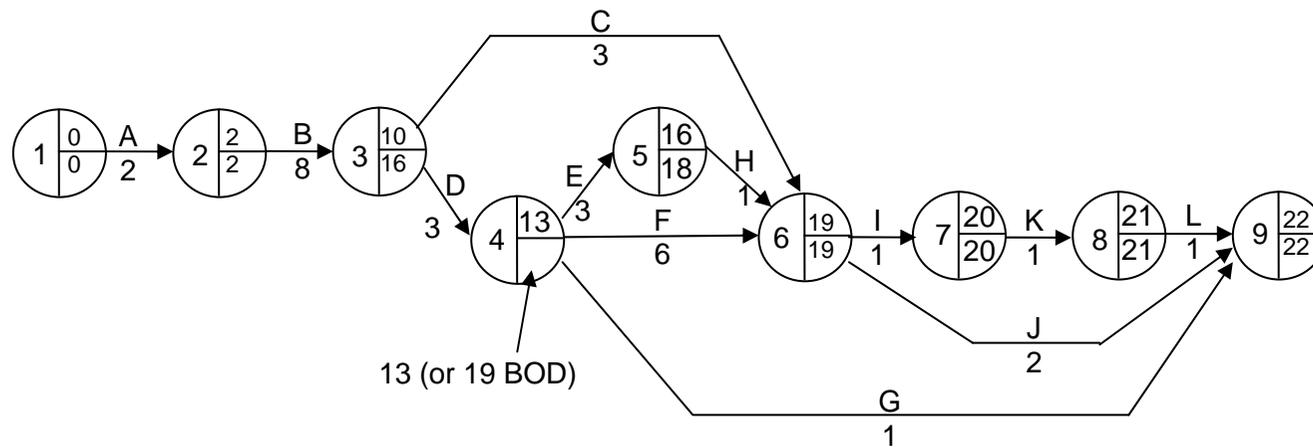
Question	Expected Answers	AO	Mark	Additional Guidance
5 (c)	<p>Using both quantitative and qualitative information, recommend and fully justify which option, or combination of options, <i>Greengages</i> should choose.</p> <p>NB This question is assessed for QWC.</p> <p>Level 1: [1-2 marks] Candidate shows knowledge of strategic decision-making with no reference to <i>Greengages</i>.</p> <p>Level 2: [3-6 marks] Candidate describes reason(s) for and/or against one or more of the options under consideration at <i>Greengages</i>.</p> <p>Level 3a: [7-9 marks] Candidate analyses reason(s) for/against <i>Greengages</i> taking an option(s) using either quantitative or qualitative information.</p> <p>Level 3b: [10-12 marks] Candidate analyses reason(s) for/against <i>Greengages</i> taking an option(s) using both quantitative and qualitative information.</p> <p>Level 4a: [13-16 marks] Candidate evaluates which option (or combination of options) <i>Greengages</i> should take, drawing out reasoned and justified conclusions using quantitative or qualitative information.</p> <p>Level 4b: [17-20 marks] Candidate evaluates which option (or combination of options) <i>Greengages</i> should take, drawing out reasoned and justified conclusions using both quantitative and qualitative information.</p>	AO1 2 AO2 4 AO3 6 AO4 8	20	<p>NB Candidates can recommend one option, a combination of two options or all three options.</p> <p>Non-contextual answer max level 1.</p> <p>L1 Statements about strategic decision-making with no context Eg All strategic decision-making involves taking a risk.</p> <p>L2 Reasons for or against one or more of the options Eg Option 2, selling smoothies and soups, is the most expensive option to set up.</p> <p>L3 Analysis of the reasons for or against taking one or more of the options Eg. However, in reality all of these options are low spend for a business such as <i>Greengages</i> which appears to have enough money in retained profit to fund these ventures. The likelihood of success may be a more important factor than the initial cost.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
	<p>Issues include:</p> <ul style="list-style-type: none"> • business objectives – Trevor’s retirement • degree of risk – Ansoff’s Matrix • likelihood of success • cost – time/money • profitability • returns on investment • NPV/ARR/Payback • market positioning • competitive advantage • impact on business image • impact on workforce • space implications • depletion of reserves • location of shop • customer profile • degree of passing trade • knowledge of the market- experience/expertise • affluence of area • location and strength of completion • range of goods to be sold by the discount supermarket • other competition – florists, delivery service, hot drinks • wider business environment • economic stability • economic conditions – exchange, interest, inflation rates • social trends • disposable income levels • practical and operational matters. 			<p>Award L4 to a candidate who, following on from their analysis, makes a decision as to which of the three options (or combination of options) <i>Greengages</i> should take and who backs this up with valid reasoning which fits their earlier analysis. Look for overall weighing up, short run/long run discussions and conditional arguments.</p> <p>Level annotation required.</p>

Question	Expected Answers			AO	Mark	Additional Guidance
	Opt 1 Deliver	Opt2 Soup	Opt3 Flowers			
Cost	£12,000	£22,000	£4,000			
Payback	18 Months	15 Months	8 Months			
NPV	£72,456	£63,060	£32,640			
ARR	215%	100%	275%			
Ev	£31680	£37600	£34200			
	<p>Eg Strategic decision-making always involves taking a risk (L1). Trevor must decide how great a level of risk he is willing to take, given he is hoping the business will provide for his early retirement (L2). If Trevor wishes to keep his risk level low he is likely to choose Option 3, selling flowers, as although it has the lowest NPV (L2), it has the highest chance of success, according to the decision tree, and the lowest set up cost (L2). However, Trevor is a greengrocer, rather than a florist, and may lack expertise in this area, especially when it comes to the purchasing of stock (L2). If he chose to appoint a highly experienced florist he could rely, to some extent, on their purchasing advice and maximise the chances of the correct stock being bought to maximise sales (L3, qual). But, employing an experienced florist would considerably increase the business' costs, as they would expect a good wage (L3, qual) For these reasons I recommend Trevor chooses a different option, especially since this option would lead Trevor to lose some of the control he cherishes (L4, qual). Instead, I recommend Trevor takes Option 2, as unlike flowers he is familiar with buying fruit and vegetables, and he will not be in direct competition with the discount supermarket. The discount supermarket is very unlikely to ever begin selling hot soups and fresh smoothies and Trevor would, therefore, be protecting his business from any future competition (L4, qual), hopefully allowing <i>Greengages</i> to maintain its high profit margins (L4, quants).</p>					

Question	Expected Answers	AO	Mark	Additional Guidance
	<p>Eg Strategic decisions incur financial risks (L1). The payback period for Option 1 is 18 months (L2), longer than either of the other two options (L2). However, this does not necessarily make it the wrong option to choose. The NPV on this option is better than Option 2 and 3 (L2). The net cash-inflows in later years are also significantly better than Options 2 and 3 - £55,200 in year 4 as opposed to £32,000 and £16,000 (L2). Given that Trevor is hoping that the business will fund his retirement he needs an option which will give him high returns several years from now so option 1 would be more suitable (L3, quants).</p>			

Question	Expected Answers	AO	Mark	Additional Guidance															
<p>6 (a)</p>	<p>Complete the EST (earliest start time) and LFT (latest finish time) for each node on the diagram. Nodes 1, 2, 3, 6 and 9 have been completed for you.</p> <p><i>One mark for each correct answer up to a maximum of eight marks.</i></p> <table border="1" data-bbox="376 432 1099 603"> <thead> <tr> <th>Node</th> <th>EST</th> <th>LFT</th> </tr> </thead> <tbody> <tr> <td>4</td> <td>13</td> <td>13 (or 19 BOD)</td> </tr> <tr> <td>5</td> <td>16</td> <td>18</td> </tr> <tr> <td>7</td> <td>20</td> <td>20</td> </tr> <tr> <td>8</td> <td>21</td> <td>21</td> </tr> </tbody> </table>	Node	EST	LFT	4	13	13 (or 19 BOD)	5	16	18	7	20	20	8	21	21	<p>AO1 4 AO2 4</p>	<p>8</p>	<p>Acceptable annotation = ✓</p> <p>Please check all 8 answers.</p> <p>Annotate node 4 as BOD if awarding on 19.</p> <p>No OFR</p> <p>Node 4 LFT: if 13 crossed out and an incorrect answer given award BOD.</p> <p>Also accept the following series if seen in its entirety: 4(13/19), 6(19/25), 7(20/26), 8(21/27) and 9 (22/28).</p>
Node	EST	LFT																	
4	13	13 (or 19 BOD)																	
5	16	18																	
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8	21	21																	



Question	Expected Answers	AO	Mark	Additional Guidance
<p>6 (b)</p>	<p>Calculate the total float for activity C.</p> <p><i>Up to two marks.</i></p> <p>Total float = LFT at end - duration - EST at start (1)</p> <p>19 - 3 - 10 = 6 weeks (+1)</p> <p>Award full marks for correct answer.</p> <p>Eg 6 (2)</p> <p>Eg Total float = LFT at end - duration - EST at start (1)</p> <p>Eg 19 - 3 - 10 (1)</p> <p>Eg 19 – 13 (1)</p> <p>Eg 9 – 3 (1)</p>	<p>AO1 1 AO2 1</p>	<p>2</p>	<p>Acceptable annotation = ✓</p> <p>Award full (2 marks) for the correct answer: 6 weeks.</p> <p>Accept 1.5 months or 1 month and 2 weeks if given.</p> <p>Also accept 12 weeks if 4(13/19), 6(19/25), 7(20/26), 8(21/27) and 9 (22/28) series is seen.</p>
<p>6 (c)</p>	<p>According to the network diagram, identify the shortest length of time it can take to set up these two options.</p> <p><i>For one mark.</i></p> <p>After 22 weeks</p> <p>Eg 22 weeks (1)</p> <p>Eg 5.5 months (1)</p>	<p>AO2 1</p>	<p>1</p>	<p>Acceptable annotation = ✓</p> <p>Units required.</p> <p>Accept 5¹/₂ months/154 days if given.</p> <p>Also accept 28 weeks if 4(13/19), 6(19/25), 7(20/26), 8(21/27) and 9 (22/28) series is seen.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
6 (d)	<p>Explain two advantages to a business such as <i>Greengages</i> of using critical path analysis.</p> <p><i>One mark for each correct up to a maximum of two advantages, plus up to one further mark for each of two explanations.</i></p> <p>Responses include:</p> <ul style="list-style-type: none"> • alert managers to the need to re-allocate resources • can calculate slack time • better usage of slack time • works even with complicated production processes, especially if computer programmed • allows alternative scenarios to be modelled • can order tasks effectively • avoid bottlenecks • work out the minimum time for project completion • more accurate monitoring of progress • identify the critical path to give it extra attention • can put additional resources on the critical path • enables firms to change priorities • can schedule tasks. <p>Eg CPA allows resources to be prioritised (1), therefore, bottlenecks should be minimised (1).</p> <p>Eg Allows management to monitor progress effectively (1) and avoid late completion charges by being notified early that a project is due to overrun (1).</p> <p>Eg Allows a project to be completed in the shortest possible time (1), thus increasing revenue (1).</p>	AO1 2 AO2 2	4	<p>Acceptable annotation = ✓</p> <p>Advantage required not just a statement about CPA ie do not award 'planning tool'</p> <p>Do not award disadvantages.</p> <p>No context required.</p> <p>Accept examples if used to exemplify.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
7 (a)	<p>What is the purpose of marketing?</p> <p><i>Up to two marks.</i></p> <p>Responses include:</p> <ul style="list-style-type: none"> • increasing sales • making business known • increasing awareness • to increase revenue • to increase profit • improve business image • increase market dominance • increase market share • correct product, correct place, correct price. <p>Eg The purpose of all marketing activity is to increase custom (1) and thereby increase profit (1).</p> <p>Eg Marketing is all about increasing sales (1).</p> <p>Eg To give a positive portrayal of the business to potential customers (1) in the hope of achieving increased revenue (1).</p> <p>Eg To gain more customers (1) and more profit (1).</p>	AO1 2	2	<p>Acceptable annotation = ✓</p> <p>No context required.</p> <p>Answer must relate to purpose rather than definition or method.</p> <p>Do not accept methods eg DNA advertising, sales promotion</p> <p>Do not accept definitions of market research eg DNA to find out what customers want.</p> <p>Answers the question 'how', not 'why'.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
7 (b)	<p>What is meant by the term 'marketing strategy'?</p> <p><i>Up to two marks.</i></p> <p>A marketing strategy is an integration of the marketing mix. The 4ps of marketing – product, price, promotion, place - are unified by an underlying message or theme.</p> <p>Eg The merging of all marketing activity (1) so that rather than providing conflicting messages about the business it portrays a unified image (1).</p> <p>Eg It involves choosing an underlying theme, in <i>Greengages'</i> case, value for money, (1) and setting all of the marketing strands in line with this theme (1).</p> <p>Eg The four elements of the marketing mix (1) are combined in such a way as to give a consistent message (1).</p>	AO1 2	2	<p>Acceptable annotation = ✓</p> <p>No context required.</p> <p>Question refers to marketing strategy (marketing mix only) not marketing plan.</p> <p>Do not award purpose, the question asks what it is.</p> <p>References simply to various strands of marketing should be awarded a maximum of one mark.</p>
7 (c)	<p>Other than marketing, state two internal factors which are likely to affect the continued success of <i>Greengages</i>.</p> <p><i>One mark for each correct identification up to a maximum of two identifications.</i></p> <p>Responses include:</p> <ul style="list-style-type: none"> • contingency planning • financial planning • human-resource planning • production planning • clear business plan • co-operation of employees • prices charged • sufficient finance • adequate cash flow • business reputation 	AO1 2	2	<p>Acceptable annotation = ✓</p> <p>Any internal factor can be accepted ie any factor within <i>Greengages'</i> control. However, simply naming a stakeholder group eg 'employees' is not enough as this is not a factor. Employee motivation, number of employees, employee skills levels however are factors and are rewardable.</p> <p>Do not accept references to economic, legal or government changes nor references to customer loyalty, supplier reliability or the behaviour of competitors as all of these are external and outside of <i>Greengages'</i> control.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
	<ul style="list-style-type: none"> • quality of service • wastage levels • level/availability of finance • employee motivation • management style • productivity • labour turnover rate • promotional policy • prices charged • aims and objectives • customer service. <p>Eg The co-operation of employees (1).</p> <p>Eg Contingency plans (1).</p> <p>Eg Whether prices are low enough to attract customers (1).</p> <p>Eg Whether prices are high enough to maintain profit margins (1).</p>			<p>Do not award marketing as it is in the question.</p> <p>Do not accept 'sales' as it is external.</p>
7 (d)	<p>Evaluate the importance of marketing planning to the continued success of <i>Greengages</i> if it were to go ahead with Options 1 and 3.</p> <p>Level 1 (1 – 2 marks) Candidate demonstrates knowledge of marketing planning with no context.</p> <p>Level 2 (3 - 5 marks) Candidate gives examples of marketing activities <i>Greengages</i> could take or describes the benefit(s) and/or drawback(s) of marketing planning to <i>Greengages</i>.</p>	AO1 2 AO2 3 AO3 4 AO4 5	14	<p>Required annotation = L1, L2, L3, L4.</p> <p>Non-contextual answer max level 1.</p> <p>L1 statements about marketing planning with no context Eg Marketing planning is about ensuring the products you offer meet customer needs.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
	<p>Level 3 (6 - 9 marks) Candidate analyses the benefit(s) and/or drawback(s) of marketing planning to <i>Greengages</i>.</p> <p>Level 4 (10 -14 marks) Candidate evaluates the importance of marketing planning to the continued success of <i>Greengages now that it has gone ahead with Options 1 and 3</i>.</p> <p>Issues include:</p> <ul style="list-style-type: none"> • need an integrated marketing strategy • time taken to plan • availability of time – other more pressing tasks? • cost – specialist required? • cost effectiveness • strength of competition • need to establish the business quickly • comparison with other essential planning eg financial, contingency, human resource • only useful if effective • marketing could be counterproductive if badly planned • a good marketing plan could be undermined by other issues – eg staffing, liquidity • adverse changes in external factors may be more influential on the continued success of the business • unfamiliar avenues to Trevor • increased short run costs for long run gain <p>Eg All marketing activities need to be carefully planned (L1). Such planning will take up a great deal of Trevor's time (L2), time which will be in short supply having just changed the strategic direction of the business (L3). However, planning is essential to ensure that all of the strands of the marketing mix work together to give out a message which will secure further sales.</p>			<p>L2 Examples of marketing activities <i>Greengages</i> could pursue or an explanation of a benefit/drawback to <i>Greengages</i> Eg If successful it should lead to increased sales levels at <i>Greengages</i>. [3 marks] – candidate describes how <i>Greengages</i> can use one aspect of a marketing mix. [4 marks] - candidate describes how <i>Greengages</i> can use two or more aspects of a marketing mix. [5 marks] – candidate explains advantage(s) and/or disadvantage(s) of a marketing plan to <i>Greengages</i>.</p> <p>L3 Analysis of the benefits or drawbacks of marketing planning to <i>Greengages</i> Eg However, the campaign may lead to <i>Greengages</i> having liquidity problems, especially since money may be in short supply after taking on ventures costing £16000.</p> <p>To be awarded L4 a candidate must evaluate the importance of marketing planning to <i>Greengages'</i> continued success. Look out for the weighing up in the short run/long run, judgements of importance and conditional arguments.</p>

Question	Expected Answers	AO	Mark	Additional Guidance
	<p>This is especially important for the Internet delivery side of Trevor's business as potential customers may be totally unaware of what the business has to offer as they may well have never visited the actual premises (L4).</p> <p>Eg Marketing raises awareness of the availability of products and services and hopes to encourage the general public to buy (L1). Without marketing very few of the general public are likely to be aware that <i>Greengages</i> now sells flowers and offers an Internet ordering and delivery service (L2). Planning <i>Greengages'</i> marketing campaign is likely to cost, not only time, but money as Trevor will almost certainly need specialist help and advice on how to market an online business (L3). In the short run, therefore, marketing planning, and not just the marketing campaign itself, will result in increased expenditure. However, in the long run it will hopefully lead to a build up of loyal Internet customers who will order fruit and vegetables from home for many years to come (L4).</p>			

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