

## A LEVEL

*Exemplar Candidate Work*

# **BUSINESS**

**H431**

For first teaching in 2015

## **H431/03**

### **Summer 2017 examination series**

Version 1

# Contents

<b>Introduction</b>	3	Question 5(e), 2 out of 6 marks	26
Question 1, 0 out of 2 marks	4	Question 5(e), 4 out of 6 marks	27
Question 1, 1 out of 2 marks	4	Question 6, 6 out of 10 marks	28
Question 2, 2 out of 4 marks	5	Question 6, 10 out of 10 marks	30
Question 2, 4 out of 4 marks	6	Question 7, 8 out of 20 marks	32
Question 3, 3 out of 6 marks	7	Question 7, 20 out of 20 marks	35
Question 3, 6 out of 6 marks	8		
Question 4, 13 out of 20 marks	10		
Question 4, 20 out of 20 marks	14		
Question 5(a), 0 out of 3 marks	18		
Question 5(a), 3 out of 3 marks	19		
Question 5(b), 0 out of 2 marks	20		
Question 5(b), 0 out of 2 marks	21		
Question 5(c), 2 out of 2 marks	22		
Question 5(c), 2 out of 2 marks	23		
Question 5(d), 0 out of 5 marks	24		
Question 5(d), 5 out of 5 marks	25		

# Introduction

These exemplar answers have been chosen from the summer 2017 examination series.

OCR is open to a wide variety of approaches and all answers are considered on their merits. These exemplars, therefore, should not be seen as the only way to answer questions but do illustrate how the mark scheme has been applied.

Please always refer to the specification (<http://www.ocr.org.uk/qualifications/as-a-level-gce-business-h031-h431-from-2015/>) for full details of the assessment for this qualification. These exemplar answers should also be read in conjunction with the sample assessment materials and the June 2017 Examiners' Report to Centres available on the OCR website <http://www.ocr.org.uk/qualifications/>.

The question paper, mark scheme and any resource booklet(s) will be available on the OCR website from summer 2018. Until then, they are available on OCR Interchange (school exams officers will have a login for this).

It is important to note that approaches to question setting and marking will remain consistent. At the same time OCR reviews all its qualifications annually and may make small adjustments to improve the performance of its assessments. We will let you know of any substantive changes.

## Question 1

BA has expanded through the acquisition of other airlines.

Explain **one** diseconomy of scale which a business may experience as it expands.

[2]

0 out of 2 marks

Competition, when moving into new markets a business will face larger competitive. [2]

### Examiner commentary

Many candidates did not understand what a diseconomy of scale was, and this is an excellent example. Many candidates believed a diseconomy of scale was a negative aspect of growing that would affect the business, or anything that would increase costs overall.

Whilst true to a point, diseconomies of scale are usually internal factors and the key aspect that must be present for it to be classed as a diseconomy of scale is a link to an increase in average/unit costs. Answer was awarded no marks.

## Question 1

BA has expanded through the acquisition of other airlines.

Explain **one** diseconomy of scale which a business may experience as it expands.

[2]

1 out of 2 marks

Managerial diseconomies of scale where a business has so many managers that they interfere with each other and make the business run less efficiently. [2]

### Examiner commentary

Candidate has identified that 'managerial' is a type of diseconomy of scale, which is worth one mark. However, they have failed to explain the impact of this on average/unit costs which is required for the second mark.

This was a very common error in this question. Candidates should be encouraged to link economies/diseconomies of scale with their impact on average/unit costs to gain the second mark.

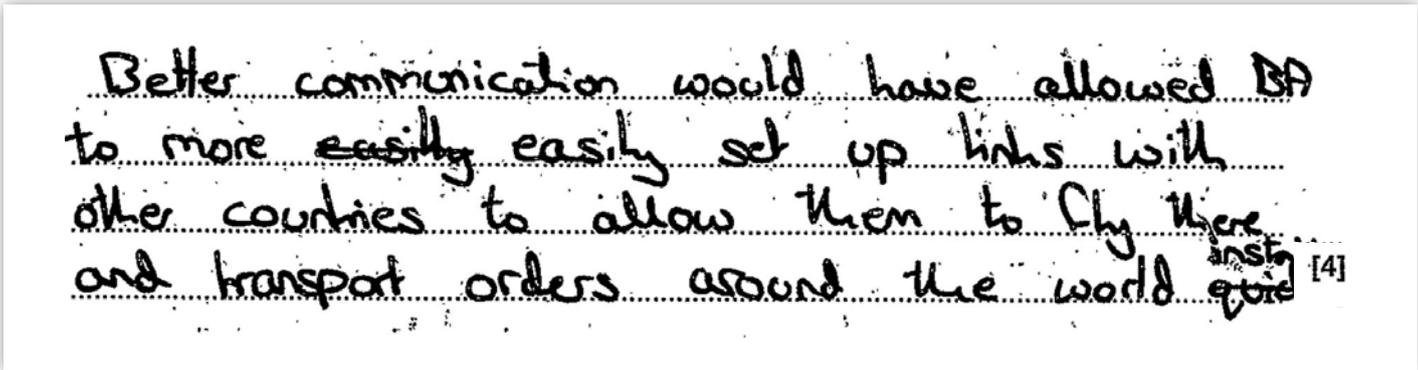
## Question 2

BA has been described as a global organisation.

Explain **two** factors which might have enabled it to become a global organisation.

[4]

2 out of 4 marks



Better communication would have allowed BA to more easily set up links with other countries to allow them to fly there and transport orders around the world <sup>inst</sup> [4]

### Examiner commentary

Question states explain TWO factors, and the candidate only provides one, which is a shame. Marks awarded for 'communication allowing them to set up links with other countries' (1) as this is the global factor identified.

Second mark awarded for application to BA (context) 'allow them to fly there'. Candidates need to be aware that impacts on this question must be very specific to being a global organisation.

## Question 2

BA has been described as a global organisation.

Explain **two** factors which might have enabled it to become a global organisation.

[4]

### 4 out of 4 marks

1. Being a founding member of the oneworld airline strategic alliance with businesses from around the world, enabling them to reach more global destinations.
2. Merging with Iberia will of enabled them to become a global organisation as the merge became the 'International' Airlines Group, giving BA more exposure and more global sales.

[4]

### Examiner commentary

Two really good factors identified here, both well explained. A mark was awarded for each factor that makes a firm global (one world alliance and merging – 1+1) and another mark for explaining why the factor enabled BA to be a global firm (more GLOBAL destinations and GLOBAL sales 1+1)

## Question 3

In 2015 UK Air Passenger Duty, a tax on flying, was abolished for people under 16 years of age.

Analyse how this change may affect BA.

[6]

### 3 out of 6 marks

Air passenger duty is a tax on customers flying with an airline. An abolishment of this tax on under 16 year olds may affect BA.

firstly it means that BA will lose a fraction of their profits because a <sup>cut on</sup> tax on children's ~~means that~~ flights means that many more children will be able to fly with family, on holiday for example. ~~if this tax is~~ because this tax was cut, more children have been able to fly, but not make as much profit from the cut.

on the other hand, it could have benefited BA because more families may have gone on holiday using BA and BA would still have made some profit.

[6]

### Examiner commentary

The answer starts with a definition of what the tax is. In the next paragraph, the highlights that a reduction in the tax will lead to more children being able to go on holiday with families (A01 and A02). Towards the end of the answer the candidate identifies that more families going on holiday will benefit BA (limited A03).

The answer seems a bit confused and the candidate may have benefited from creating a simple plan before writing their answer to develop their structure.

## Question 3

In 2015 UK Air Passenger Duty, a tax on flying, was abolished for people under 16 years of age.

Analyse how this change may affect BA.

[6]

6 out of 6 marks

The abolition of a tax on flying for people under 16 years of age could ~~not~~ positively affect BA. This would lead to more, ~~and~~ parents taking their 16 and under children on holiday, because it is cheaper. This increase in customer numbers could lead to an increase in revenue as more people flying without any increase in costs on BA's part, due to the tax being levied and collected by the government, would lead to more profit, allowing BA more room to innovate and change because of more room for error from an increased margin of safety. This change may be necessary because of low-budget airlines creating a quarter of the profit in the air industry, and BA needing to adjust to the dominance of budget air-lines, especially with the prices of under-16s on budget air lines also decreasing.

## Examiner commentary

Candidate has excellent context in this answer – words such as ‘flying, holidays, budget airlines’ provide no doubt about what type of case study is being discussed. The answer provided is very clear and answers the question directly.

The answer begins by stating that they reduction in tax would lead to more parents taking their 16 and under children on holiday as it is cheaper (AO1 and AO2 – applied knowledge). It is a reasonable assumption that if an indirect tax is reduced, then firms will reduce prices accordingly (even though the candidate has not specifically said this, it is very much implied).

The candidate then goes on to discuss an impact of this on BA (lead to an increase in revenue as more people fly – AO3). This analysis is continued and the candidate highlights a reduction in costs (from the tax) leads to more profit, which allows BA room to innovate and change – excellent chain of analysis shown – developed analysis marks awarded here. The answer was awarded full marks.

## Question 4

BA has experienced considerable change in recent years.

Evaluate the importance to BA of effective change management.

[20]

### 13 out of 20 marks

Effective change management is important to BA as they still operate under the old loss-making model. ~~as~~ see They need to remove this structure as a quarter of the air industry's operating profit was made by low budget air carriers. These airlines pay their employees considerably less. If BA were to change their pay ~~to~~ even slightly less than the current pay, then they could reduce flying costs per passenger which would allow them to lower their prices and become more competitive. With effective change ~~to~~ management BA would be able to offer more competitive prices, increasing their sales and taking customers from their competition. Furthermore, the current system that BA operate under, offers employees promotion dependant upon the length of their employment, therefore meaning someone without the right skill set ~~to~~ could possibly end up making executive decisions for the organisation. By implementing

with the highest skill sets and knowledge for key roles within the organisation, resulting in better decisions, more efficiency within the business, and better ways of introducing change to ~~support~~ lower employees.

However, ~~the~~ effective ~~change~~ change management may not be of great importance to BA, this is because ~~the~~ employees, the engines of the business, are resistant to change and ~~not~~ introducing 'radical changes on skilled, loyal and professional employees' creates a low morale within the workforce, a low morale will result in demotivated workers, and the fact that the changes involved cuts in staff wages will massively demotivate workers. Employees with low motivation tend to stay off work more, therefore meaning that effective change management leads to greater absenteeism, which costs the business finance and time as they have to cover the work and investigate the time off. Furthermore, the changes could cause staff to leave, increasing staff turnover and increasing recruitment costs to replace staff.

Overall I believe that effective change management is of great importance to BA, as they need to move on from their old loss-making model and catch up with the times and become more cost efficient. Directors and managers should increase the communication between themselves and lower employees to explain that the changes are for the growth of the business and that it will increase sales, but they should also find new ways of implementing changes so that staff are not overwhelmed. The main push factor for employees is that their wages are being cut, directors will never be able to please employees by cutting wages; however, they are currently paid double that of staff at Virgin Atlantic and cabin crew are paid \$9,700 more than easyjet cabin crew, so directors could significantly cut wages, yet still offer the most competitive wages so that they retain the staff, and offer incentives so that their staff are not demotivated by the fall in wages.

## Examiner commentary

The answer starts with stating why change management is important to BA and provides some excellent use of context (air industry, budget carriers etc) – A01, A02. Further down this paragraph, the candidate discusses the idea that BA need to be careful when changing their workers' pay, but if managed successfully it could allow them to reduce costs and become more competitive, therefore analysing the importance to BA (A03). The next section discusses the successful management of change surrounding the recruitment of employees and the importance of this to BA, gaining further A03 marks.

The next paragraph is not answering the question (NAQ) – the candidate veers away from the question and even suggests effective change management would cause an increase in absenteeism, which would not be the case.

In the final paragraph, the candidate does attempt to make a judgement regarding the overall importance ('catch up with the times and become more cost efficient') and is awarded A04 marks for a suitable evaluative comment. The candidate then discusses **how** the change should be undertaken, which is not the question and no further marks are gained for this answer. Answer was awarded the middle of level 3 with strong knowledge, good application and analysis and reasonable evaluation.

## Question 4

BA has experienced considerable change in recent years.

Evaluate the importance to BA of effective change management.

[20]

20 out of 20 marks

Change management is the ability of a company to successfully manage changes in its structure or operations and emerge better off or the same as before the change.

Change management is very important to BA, because of how necessary change is ~~to~~ currently. BA is attempting to lower costs by cutting cabin crew wages. The current BA business model is making a loss, and without a successful change management then BA's attempt to cut costs may not be successful, leading to a failure to adapt to the times and by moving closer to the low cost model. This could lead to a fall in BA's profits, as its costs <sup>would</sup> stay high which would force BA to raise prices if they wanted to ~~meet break or~~ try to make a gain, leading to a fall in customer numbers as more people choose to fly with low-budget airlines like easyJet due to the lower prices. However, this would depend on how well BA

could integrate a new business model with its old one, rather than failing to replace it. ~~to~~ Creating and integrating a new business model to work alongside its current loss-making model would limit the change and thus mitigate how important change management would be, by reducing the amount that needs to change. This could lead to a ~~successful~~ <sup>successful</sup> movement closer to the low-cost model, allowing BA to provide a similar service for cheaper due to the cost cuts.

Another way change management is very important to BA is how well it can implement its restructure and new business model. If BA uses effective change management the restructure of its marketing team, as an example of the changes the new business model will implement, will go smoothly and succeed in focusing more on the customer. This could lead to BA bringing in even more customers, leading to an expansion of BA's already high profit of £607m, which had increased by 27% from the previous year. A successful restructure in its marketing team, especially if the new focus on customers succeeded, could lead to a smoother implementation of the new business plan and

allow BA to better compete with the budget air lines like easyJet, which has already changed its focus further towards customers. However this ~~would depend~~ on the importance of change management in this would depend on how willing the employees are to accept the cabin crew cuts. If BA's figures were correct and already 7000 volunteered for pay cuts and  $\frac{1}{3}$  of managers have accepted voluntary redundancy then change management may be less important because BA's employees are already accepting the implementation of the changes and BA won't need to manage the change as much.

Overall, change management is very important to BA as a way to plan ~~for~~ for contingencies and implement changes, but if the employees of BA accept and themselves volunteer for the ~~cuts~~ cuts, then the change management is less important. However, this would depend on the extent to which BA needs to implement changes. easyJet flies for 3p less per kilometer, and so can afford low prices, but if BA needs to try to come close to meeting easyJet's prices then Unite, the trade union for cabin crew, may decide to object to the change.

## Examiner commentary

This question is asking about the IMPORTANCE of effective change management and NOT how to undertake change management. Many answers discussed methods of change management (eg Lewin) and how BA can go about implementing change, which is not what the question is asking. This candidate clearly understands the requirements of the question as they discuss the implications of effective change on BA throughout their answer.

The first paragraph explains what is meant by change management, for which knowledge (AO1) marks are awarded. In the second paragraph, there is evidence of context 'BA is currently attempting to lower costs by cutting cabin crew wages' and 'the current BA model is making a loss' (AO2). This is followed by a clearly developed understanding of the impact of effective change management on BA (change may not be successful, leading to a fall in profits and loss of customers) - strong AO3. The candidate then goes on to discuss the extent to which this is likely to be the outcome for BA following effective management (depends on ..... limit the change and thus mitigate how important change management would be) which provides some excellent evaluation (AO4).

Following this, the candidate provides another good point in context and the paragraph goes on to discuss that if you have effective change management, such as restructuring the marketing team (AO2) it is important as it will allow the smooth running of BA, leading to expansion and better abilities to compete – demonstrating sequential links that are further examples of strong analysis (AO3). Towards the end of the paragraph, the candidate evaluates the overall importance of how effective the change management is (AO4). The final paragraph adds further evaluation in the form of a conclusion that reaches a fully supported decision. This is an excellent example of how to structure an A level answer and was awarded full marks.

## Question 5(a)

Zenon Logistics Limited (ZLL) supplies airlines with in-flight meals. These meals are packaged on plastic trays and include a soft drink and fresh food, some of which is reheated during the flight.

**Table 1** shows some of ZLL's performance data for 2015 and 2016.

**ZLL performance data**

	2016	2015
Production staff	145	143
Meals produced (million)	11.62	10.95
Revenue (£ million)	24.52	23.11
Cost of sales (£ million)	12.98	12.08
Gross Profit (£ million)	11.54	11.03
Net Profit (£ million)	4.27	3.69

**Table 1**

- (a) Calculate the percentage change in productivity from 2015 to 2016 at ZLL. (Give your answer to two decimal places).

[3]

0 out of 3 marks

$$\frac{11.62 - 10.95}{10.95} \times 100 = 6.118$$

Answer = 6.1%

### Examiner commentary

The candidate has not understood how to measure productivity. Here, they appear to have calculated the difference in meals produced within the firm. This does not show productivity – productivity refers to the measures of efficient of production and there needs to be a link between the inputs and outputs in the process – in this case labour and meals. No marks awarded

## Question 5(a)

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**Table 1**

- (a) Calculate the percentage change in productivity from 2015 to 2016 at ZLL. (Give your answer to two decimal places).

[3]

### 3 out of 3 marks

meals produced  $80137 - 76573 =$

production staff  $3564$

2015 =  $\frac{10.95 \text{ million}}{143} = 76573$

2016 =  $\frac{11.62 \text{ million}}{145} = 80137$

$\frac{3564}{76573} \times 100 =$

$4.654382093$

Answer =  $4.65\%$  [3]

### Examiner commentary

A really clear answer – the candidate's workings are easy to follow, allowing marks to be allocated. There is a slight rounding error in their calculation for 2016, but as their working can be seen they clearly understand how to calculate productivity and OFR is given for this.

## Question 5(b)

Calculate ZLL's net profit margin in 2016. (Give your answer to two decimal places).

[2]

0 out of 2 marks

~~$$\text{NPM} = \text{Net Profit} - \text{Cost of Sales}$$
$$= 4.27 - 12.98$$~~

$$\text{NPM} = \text{Cost of Sales} - \text{Net Profit}$$
$$= 12.98 - 4.27 = 8.71$$

Answer = 8.71 [2]

### Examiner commentary

The candidate has shown all their workings, which is to be encouraged. Unfortunately, the candidate does not display knowledge of the correct formula to calculate net profit margin. They have mistaken 'sales revenue' with 'cost of sales' and are awarded zero marks

## Question 5(b)

Calculate ZLL's net profit margin in 2016. (Give your answer to two decimal places).

[2]

0 out of 2 marks

$$\frac{\text{net profit}}{\text{cost of sales}} = \frac{4.27}{12.98} = 0.3289676425$$

Answer = 0.32 [2]

### Examiner commentary

The candidate has confused 'sales revenue' with cost of sales in their formula. They also haven't included the requirement to multiply by 100 to get an NPM figure. No marks awarded.

## Question 5(c)

ZLL uses time series data such as world air traffic revenue. (see Table 2)

**World Air Traffic Revenue 2006 to 2017**

	Period	Revenue (\$bn)	Trend (3-period moving average)	Cyclical Variation
2006	3	365		
2007	1	399	402.7	
2008	2	444	405.7	
2009	3	374	421.0	
2010	1	445	439.7	
2011	2	500	495.3	
2012	3	541	532.0	
2013	1	555	553.0	
2014	2	563	558.0	
2015	3	556	556.7	
2016	1	551		
2017*	2	577		

\*forecast

**Table 2**

(c) Using Table 2, calculate the 3-period moving average for 2016.

[2]

### 2 out of 2 marks

$$\frac{556 + 551 + 577}{3} = 561.3$$

Answer = 561.3 [2]

### Examiner commentary

This candidate has a clear understanding of the requirements of the question and calculates the 3-period moving average for 2016. It's good practice to encourage candidates to show all their working and place final answers on any given answer lines.

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2017*	2	577		

\*forecast

**Table 2**

(c) Using Table 2, calculate the 3-period moving average for 2016.

[2]

2 out of 2 marks

~~$556 + 551 + 577 = \frac{1684}{3} = 561.3$~~   
 ~~$556 + 551 + 577 = \frac{1684}{2} = 842$~~   
 $556 + 551 + 577 = \frac{1684}{2} = 842$   
 Answer = ~~556.7~~ 561.3 [2]

### Examiner commentary

Correct answer, full marks awarded. The workings on the table are useful to see and should be encouraged. In the event that a candidate gets the final answer incorrect, the showing of workings may allow examiners to credit partial marks.

## Question 5(d)

Using **Table 2**, calculate the average cyclical variation for period 2.

[5]

0 out of 5 marks

Handwritten work on a grid background:

$$444 = 405.7$$
$$500 - 448.3$$
$$405.7 + 500 + 588 = 1454$$
$$\div 3 = 486.3$$

Answer = 486.3 [5]

### Examiner commentary

The candidate has calculated the average trend for the three periods and not the average cyclical variation and therefore is not awarded any marks.

# Question 5(d)

Using **Table 2**, calculate the average cyclical variation for period 2.

[5]

5 out of 5 marks

~~$408.7 + 495.3 + 558.0 = 1462$~~   
 ~~$\frac{1462}{3} = 487.3$~~   
 ~~$408.7 + 495.3 + 558 = 1462$~~   
 ~~$\frac{1462}{3} = 487.3$~~   
 P  
 $495.3 - 500 = -4.7$   
 $408.7 - 444 = -35.3$   
 $558 - 563 = -5$   
 $(-35.3) + (-4.7) + (-5) = \frac{-45}{3} = -15$   
 Answer = ~~487.3~~ 16 [5]

## Examiner commentary

Correct answer, full marks. The candidate has crossed out the wrong answer (where they appear to be calculating the average 3-point moving average for the period). They then clearly demonstrate they understand what the question is asking for and provide all the calculations to show how they arrived at their final answer.

## Question 5(e)

Analyse how time series data, such as that in **Table 2**, may be useful to ZLL.

[6]

2 out of 6 marks

Time series data can be useful to ZLL for helping to predict trends. The <sup>average</sup> cyclical variation of a certain period can be extrapolated into the future to predict the revenue that ~~ZLL~~ ZLL will be receiving in a certain year. This allows ZLL to better plan for the future due to the knowledge of where it may be receiving less profit and thus can plan contingencies for that time. This could lead to ZLL ~~staying~~ <sup>becoming</sup> as the market leader for as it can better manage and identify where ~~the~~ <sup>its</sup> problems in revenue may arise and plan ~~to~~ around them, leading to less a smaller drop in revenue than predicted due to contingency plans mitigating the damage.

### Examiner commentary

The question required the candidate to analyse how time series data may be useful to ZLL. This can apply to the data in table 2 (time series analysis) or any other data that could form time trends such as revenue levels. This candidate demonstrates an understanding of what time series data is (predicting trends, cyclical variations) and so is awarded for reasonable knowledge. However, if the company name of ZLL was removed from this candidate's answer, then there is no context – the name alone is not sufficient for context, meaning the candidate cannot access any further marks as non-contextual answers can only gain a maximum of 2 marks.

If this answer had context (specific figures from table 2, reference to supplying airline meals for example) then this answer may well have been awarded 5/6 as there is a sequential link between 'predicting trends, plan, develop firm for the future'. Context is key.

## Question 5(e)

Analyse how time series data, such as that in **Table 2**, may be useful to ZLL.

[6]

4 out of 6 marks

Time series analysis is a decision making tool, therefore allows ZLL to make decisions. By forecasting future figures ZLL can predict how many meals they will need to supply for the ~~forecast~~ forecasted demand. Carrying out time series analysis reduces ~~demand~~ risk and ~~also~~ therefore saves on costs by reducing risk.

However, times series data is a prediction, and is only as useful as the information put ~~it~~ into it. Which is why I recommend extensive market research before carrying out time series analysis.

### Examiner commentary

This answer begins with a good knowledge of how time series analysis can be used, and context is provided with the use of 'meals' in the 5<sup>th</sup> line. The candidate then highlights that risk can be reduced by forecasting demand, saving costs and is awarded A03 for this analytical statement. The rest of the answer adds further knowledge only. Answer awarded bottom of level 2 with good knowledge and context but greater analysis needed for higher marks within this level.

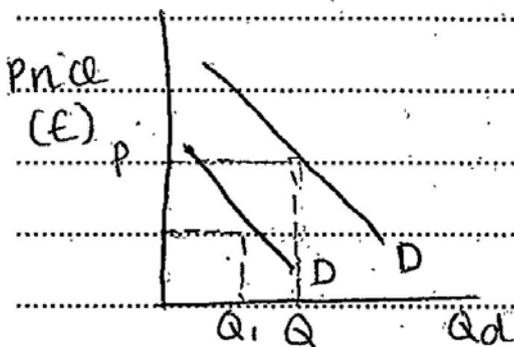
## Question 6

Discuss external influences BA should consider as it continues to develop its marketing strategy.

[10]

6 out of 10 marks

BA should consider the amount of demand and supply as it continues to develop its marketing strategy. This is because if demand for ~~the~~ flights is falling then BA may want to decrease their prices to try and increase demand. However, if



However, if ~~there~~ there is an increased demand for flights then BA may want to increase their prices to reach equilibrium.

BA should also consider the competition in the market when ~~the~~ developing its marketing strategy. This is because if the level of competition is high (which it is) then the level of advertising may

need to increase to persuade customers to go to BA instead of easyjet for example. Also, the level of competition may persuade BA to adopt a pricing strategy that separates them from competitors such as using deals. ~~£~~

The state of the economy is also another factor that BA should consider when developing its marketing strategy as if the economy is in a recession then people are less likely to book flights as they don't have the money to do so.

## Examiner commentary

This is an interesting answer that makes some relevant points. The candidate mentions that supply and demand in the market should be considered (A01, which is then linked to a change in BAs pricing strategy to increase demand (A02 and A03). Very basic analysis shown. In the next paragraph the candidate highlights 'competition' as a factor that will impact on BAs marketing strategy and how this would impact on the advertising needed to persuade customers away from Easyjet (A03).

There is no evidence of evaluation considering the most important factor that will impact BA or the extent to which any of the factors will impact their marketing. Overall this was marked at the top of level 2 with strong knowledge, application and analysis but no evaluation.

## Question 6

Discuss external influences BA should consider as it continues to develop its marketing strategy.

[10]

10 out of 10 marks

BA's new marketing strategy is to put customers first and at the core of their strategies its strategy

A major external influence BA needs to consider when developing its marketing strategy is the customers tastes and preferences. Currently, budget airlines are extremely popular, with 1/4 of the air industries profits being generated by 3 low-budget airlines; easyJet, Ryanair and South west Airlines. With a new recession a \* possibility in the UK, the customers tastes and preferences may veer further towards low budget - damaging any attempts to market BA as a more luxury choice, with even with the lower costs coming from the cost cuts. However, this would depend on how customers decide to deal with the uncertainty generated from such a large change. The airline industry needs to consider the danger of a recession, which could lead to all companies in danger - forcing BA to develop its marketing strategies further. because of a greater But

it may cause an increase in customer and people use air travel more ~~to~~ because of the lack of EU legislation.

Another external influence BA needs to consider is a change in the government's view of airlines and taxes. If the British government decides to raise air travel taxes, or implement noise/air pollution taxes then BA needs to ~~lose~~ focus its strategy. A change towards promoting BA's commitment to its environmental responsibilities would be necessary to encourage more ~~employed~~ customers because of a new increase in costs. This would depend on ~~wh~~ where the government decides to ~~lay~~ if any such tax needs to be implemented, as a lack of change in this regard would allow BA to focus further on its customers to catch up to early ~~adap~~ adopters such as easyJet.

## Examiner commentary

The answer starts by identifying that customer tastes and preferences are an external factor (AO1) and then adds some solid context (airlines, reference to profit figures, competitors in the industry). The candidate goes to identify an implication for the marketing strategy (customer tastes veering towards budget airlines, damaging BAs attempt to market as a luxury airline) which is good A03 for showing a sequential link to the possible consequence. Following this, the candidate then goes to assess the extent to which what they have said is likely to affect BA and considers how this could affect the overall impact of this factor on BAs marketing strategy (good A04).

The third paragraph goes on to identify another external factor (government), in particular the raising of airline taxes (AO2). This is then developed to discuss the implication on the marketing strategy – 'change towards promoting its environmental responsibilities' – showing analysis of this issue in context (A03). Again, the candidate goes on to examine the actual extent of this change, showing a real appreciation of where the tax will be applied in the industry and the consequence for BA (A04). A very well structured answer with excellent use of context, as well as analysis and evaluation – awarded full marks.

## Question 7

To what extent would the stakeholders of BA describe it as a successful organisation? Justify your view.

[20]

### 8 out of 20 marks

Various stakeholders of BA would have several opinions on whether this organisation is successful.

One stakeholder is the local community. On one hand they may think BA is a success as it ~~grows~~ increases the economic value of the areas around airports. It will allow local businesses such as restaurants and cafes to have an increase in sales due to people likely to use services before flying. Also, having a major airport in your vicinity may allow the price of housing to increase if workers want to move close to the airport ~~to~~ to ease travelling. However, it could also be argued that although prices may increase it could also decrease house prices, as some families may decide it's very noise polluted. Extract F discusses BA are trying to 'minimise these impacts'. However, ~~it's~~ it's unlikely that the management will decrease noise and air pollution completely,

and therefore could decrease house prices in the area, making BA unsuccessful to the local community.

One stakeholder that would describe BA as successful is their suppliers. They will constantly be receiving orders of their ~~the~~ products, such as fuel. Although it's a very competitive industry, the ~~the~~ customers will still want a good service. Therefore, supply will always be needed. If BA continuously request the same quantity and volume of goods, it will suggest BA are a successful organisation.

A further stakeholder is the workers. They ~~will~~ may suggest BA are successful due to the constant need for change. With extract B suggesting cutting the costs 50% due to that of Virgin Atlantic staff it may have a negative impact on ~~the~~ BA's employees. It could lead to a less motivated workforce, as they're getting unfair treatment. However, it could be argued that workers understand change needs to occur in order to have a successful business and it depends whether BA employees ~~can~~ can accept these changes and move forwards or lose their jobs.

Customers will see BA as successful as they produce cheap, relatively luxurious flights. Due to a competitive industry however, they may decide to choose a cheaper alternative due to being <sup>a slightly</sup> price sensitive market.

Overall, BA is seen as a successful organisation to the stakeholders due to its high ~~part~~ competitive edge. However, in reality, it depends whether BA want a workforce which will be happy and enjoy their job to therefore look good for BA. Or, if they want a workforce who will work for the smallest wage with no concern for their welfare, tarnishing their ethical image.

## Examiner commentary

The answer begins with an identification of the local community as a stakeholder (A01) with them viewing BA as successful if it allows the local community to meet its objectives – local cafes increasing sales (limited A03). A counter argument is provided later in the paragraph where the local community may not view it as a success because the house prices may be reduced (A03). At the end of that paragraph the candidate provides an attempt at a judgement to whether the stakeholder will view BA as successful or not (limited A04).

One paragraph looks at the worker as another stakeholder. There is a good use of context, referencing information in extract B (A02) but no real discussion of **how** workers may or may not view BA as successful.

The final paragraph identifies the customers as another stakeholder and the candidate clearly identifies how the customers will view BA as successful (cheap, relatively luxurious flights) – providing analysis in context – A02 and A03.

There is a large gap and then the candidate attempts to conclude their answer. Unfortunately, it is not answering the question (NAQ) as it does not address the question from the view of the stakeholder.

Answer was awarded middle of level 2 for strong knowledge and application and limited analysis and evaluation.

## Question 7

To what extent would the stakeholders of BA describe it as a successful organisation? Justify your view.

[20]

20 out of 20 marks

For the stakeholders of BA to describe it as a successful operation it needs to fulfil all stakeholders desires.

Employees are a major stakeholder of BA. For them, and especially cabin crew staff, BA cannot be described as successful. This is because BA is having to reduce costs in order to stay as a major competitor in the aviation industry. The reduce in average pay by 50% is a major reason why employees can see BA as a failure, because it allows BA to bring in lower paid workers, leading to the major long-haul routes being taken over by them, leading to the 'old crew' becoming the least profitable. This is compounded by BA changing its seniority system to allow BA to bring in senior staff from outside the company. From the employees view, this is BA looking away from old employees and trying to reduce costs with not without listening to the saving measures proposed by current BA employees. ~~On the~~ This depends on ~~BA~~

The willingness of BA employees to accept the cuts. BA states that 'thousands' have already accepted reducing costs. This could be employees viewing BA as a still successful company that needs to cut costs to stay successful. Thus, the employees accept cuts in order to stay within a still successful business.

Shareholders are another major stakeholder of BA, but they can see BA as very successful. This would mainly be due to the high levels of profit that BA is reporting. BA saw an increase of 27% in profits from 2014 to 2015, from €477m to €607m. This, connected with the greater focus on customers while BA is ahead to enforce their leadership position as well as the seemingly successful cost cuts, with 'thousands' accepting contributing to reducing costs, will allow BA to keep its profits rising and potentially paying out more dividends with the increased costs, showing why shareholders would see BA as a success. However, this would depend on how close BA got to the budget - costs. As easyJet, BA's closest discount competitor, can fly a customer 1 km for 5p, they can afford to pay lower prices due to lower costs. While BA costs 8p per km, they need to set prices

higher. The cost cutting initiative was an attempt to bring that cost down, and with staff costs contributing  $\frac{1}{4}$  of overall costs, the cost cutting was an attempt to lower costs which would allow BA to make a gain on its higher prices. ~~If~~ If Price elasticity of Demand is high, then BA should have lowered prices along with costs.

Overall, BA can be viewed different ways depending on how it ~~see~~ meets or fails to meet the ~~shareholders~~ <sup>stakeholders</sup> objectives. Employees want high wages and job security = FAIL. Stakeholders want good profit and high dividends = SUCCESS. However, ~~these~~ In the end, BA is viewed as a successful ~~company~~ <sup>organisation</sup> by its stakeholders. This is because of the changes BA seem to be successfully making to become ~~more~~ closer to ~~the~~ <sup>a</sup> gain-making business model, while still keeping its profits high and due to the acceptance of employees of the cost cutting measures and move to more customer focused. However, this all depends on how well direct competitors, like easyJet, have done. BA is behind on adopting a customer focused marketing strategy, and the lower costs of easyJet give a greater customer numbers due to the ability to charge lower prices.

## Examiner commentary

This question is not asking if BA is a successful organisation, but if **stakeholders** would view it that way. The first stakeholder identified is the employee and second paragraph focuses specifically on how the employees are likely view it as a failure due to reduction in average pay. There is good knowledge of the stakeholder as well as information taken from the case study demonstration A01 and A02. Where the candidate considers the impact on the effect on the old crew, this is considered good A04 – a candidate can gain good evaluation marks throughout the answer. In this case, they have identified that not all workers will have the same view, only the ones who had been with the company the longest. There is another clear evaluative statement towards the end of the paragraph where the candidate highlights that the employees may only see pay as one way of viewing success and are prepared to have a lower pay as they still see BA as successful regardless.

The next section focuses on the shareholders. Financial data from the case study has been incorporated into the answer (excellent A02). Discussion of the fact that BA are paying out more dividends, even with increased costs is analysis of the shareholders view on success (A03). The candidate then goes on to identify how this view may be affected and considers there may be other factors to consider if the shareholder is to view BA as successful, demonstrating good evaluation.

The final paragraph all provides strong evaluation and a judgement as to whether the stakeholders will see BA as successful. It focuses clearly on the stakeholders mentioned previously in the answer and provides an indication on factors that may have an impact on the overall judgement. A very clear and well-structured answer that is awarded full marks.



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