

A LEVEL

Examiners' report

BUSINESS

H431

For first teaching in 2015

H431/03 Summer 2022 series

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Introduction

Our examiners' reports are produced to offer constructive feedback on candidates' performance in the examinations. They provide useful guidance for future candidates.

The reports will include a general commentary on candidates' performance, identify technical aspects examined in the questions and highlight good performance and where performance could be improved. A selection of candidate answers is also provided. The reports will also explain aspects which caused difficulty and why the difficulties arose, whether through a lack of knowledge, poor examination technique, or any other identifiable and explainable reason.

Where overall performance on a question/question part was considered good, with no particular areas to highlight, these questions have not been included in the report.

A full copy of the question paper and the mark scheme can be downloaded from OCR.

Advance Information for Summer 2022 assessments

To support student revision, advance information was published about the focus of exams for Summer 2022 assessments. Advance information was available for most GCSE, AS and A Level subjects, Core Maths, FSMQ, and Cambridge Nationals Information Technologies. You can find more information on our [website](#).

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Paper 3 series overview

This paper focuses on The Global business environment. There is no Section A in this paper, so every question is based on the case study. Only one question does not require the context to be used and that is Question 1.

Subway proved to be an accessible case study with candidates able to relate to the business and its stakeholders. Very few candidates missed out questions and most were able to make an attempt at a response.

Candidates need to be more aware of the need for context in any question which references the business or one of its stakeholders.

Three questions on this paper required evaluation skills (Questions 3, 4 and 10). Some candidates only attempted evaluation in a relatively small conclusion at the end of a response. However, the best responses were evaluative from start to finish.

Candidates who did well on this paper generally did the following:	Candidates who did less well on this paper generally did the following:
<ul style="list-style-type: none"> • applied context to questions where relevant • had plenty of evaluation in Questions 3, 4 and 10 • developed chains of analysis that showed clear stages in their arguments • answered the question set, not the question they thought had been set • planned their longer responses • managed their time effectively to have enough left for the final question • read the data in the resource booklet carefully. 	<ul style="list-style-type: none"> • used the first points that came to mind, as opposed to the ones most relevant to the context • did not apply their responses to Subway • tried to cover too many points and so did few/none effectively • missed the point of the question • did not set out their working clearly on numerical questions (Question 6).

Question 1

1 Explain the purpose of a mission statement.

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..... [2]

The question was answered well by most candidates. There are a broad range of explanations of the purpose of a mission statement and most candidates demonstrated some idea of the term. However, there was also some confusion between a mission statement, objectives and strategy.

A mission statement gives a business, and its stakeholders, a sense of direction, but it does not contain the objectives or a plan of how the business will achieve this. Too many candidates included these elements.

Question 2

2 Explain **one** way in which Subway could use drip marketing.

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..... [2]

In contrast to Question 1, this question was not generally answered well. Many candidates showed good knowledge of marketing but did not know the term 'drip'.

Again, there are a number of explanations of what drip marketing includes but the essence of the idea is that messages from a business are sent over time to customers, usually to re-enforce or remind potential customers about the business.

Questions which reference a specific business (in this case Subway) include application marks and must be answered with specific reference to that business as opposed to being generic with no context to the given business

Application (Assessment Objective 2)



AO2 is an essential skill for A Level Business and is the reason why all of the examinations are based on real businesses through the use of a case study (found in the resource booklet). Almost every question on this examination is based on Subway and should be answered with reference to Subway.

When teaching, it is essential to use examples of businesses, so that candidates can use whatever business they are given in the examination.

Question 3

3 Evaluate the use of lean production methods at Subway restaurants.

[10]

Command words (the word in the question that instructs a candidate on how to answer the question) are very important. In this question the command word is 'evaluate' and instructs the candidate that this question requires all four assessment objective to be met.

There are marks available for the demonstration of knowledge (of lean production methods), application to Subway, analysis (of lean production methods) to Subway and evaluation of the usefulness (of lean production methods) to Subway. It is, therefore, important for a candidate to demonstrate all these skills to gain all the marks.

Some candidates assumed this response did not require all the assessment objectives because this question was only worth 10 marks.

The most common omission was evaluation and candidates did not always evaluate the usefulness of the methods chosen.

The resource booklet contained a great deal of information about how Subway uses lean production and good responses started with the methods that Subway use, as opposed to the first methods that came to mind.

Extract F (The implementation of lean principles at Subway restaurants) was a key source of data to help answer this question and the best responses focused on the most appropriate elements that Subway uses.

The question clearly asked for lean production methods, and a full response required **at least two** methods to be analysed. There is no need to cover every lean production method used by Subway and candidates who attempted to analyse too many methods would have limited the time they had left for other questions.

Contrastingly, some candidates only analysed one method, or attempted to analyse the use of lean production, by Subway as a whole. This made evaluation more difficult and, despite some excellent chains of analysis, restricted the AO3 marks available.

The most successful responses analysed the use of two different lean production methods for Subway, evaluated the usefulness of each and then came to a conclusion which made a judgement about which was most useful for Subway restaurants.

Question 4*

4* Evaluate the extent to which 'product' is the most important element of Subway's marketing mix.

[20]

Again, the command word for this question is 'evaluate' and a good response should include all four assessment objectives.

Some candidates saw this question as an opportunity to discuss all four (or seven) elements of the marketing mix. While a good response may reference all four Ps, the focus must be on product, and this is the basis for the knowledge marks in this question. Occasionally, a candidate would dismiss product as being unimportant and then spend the rest of their response analysing the other elements of the marketing mix and not addressing the actual question.

To access any marks on this question, there must be some knowledge of product as an element of the marketing mix. Most candidates did this, but occasionally the knowledge was unfocused or stumbled upon.

The most common knowledge used surrounded the importance of quality and product range of Subway and both these elements provided a good foundation for discussing the importance of product.

Good responses analysed how product is important to Subway and evaluated the level of importance. Candidates could then either argue why product is not important to Subway or argue that other elements of the marketing mix are more important.

Both routes could provide a good response and there was no requirement for candidates to take a particular direction in their response. For candidates who chose to argue that other elements of the mix were more important, there was no need to cover every element, only the most important. Those candidates who did attempt to analyse and evaluate the importance of each element often gave too brief an argument, or put themselves under undue time pressure later in the examination.

It was common to find many more instances of developed analysis than were required in a good response and too few attempts to evaluate. In a 20 mark response, roughly 40% of the response should focus on evaluation and it was rare to read a response that had enough good evaluation.

A good approach was to evaluate the importance of each point made as well as bringing the response to an overall conclusion with a judgement of the overall importance of product in relation to the other points made.

Exemplar 1

In conclusion I think that product ~~has been~~ is a significant element of ^{subways} ~~the~~ marketing mix as the variety subway offers allows subway to cater for ~~a~~ segments of the market which do not tend to be catered for. This ~~enables subway to cater~~ ~~means~~ that there ~~is~~ are more potential customers. In the long term this could be significant when subway aims to increase its market share after ~~they~~ they lost some ~~of~~ of their market share to their competitors. However I think all elements ^{of the marketing mix} are equally important as they all have a significant impact on subways success in both the short and long ~~term~~ term. Some elements ~~reinforce subways USP, differentiating them* while others develop the subway brand, building up a loyal customer base* from their competition.~~ reinforce subways USP, differentiating them* while others develop the subway brand, building up a loyal customer base* from their competition.

This extract is a great example of an effective evaluation. On its own this is not good enough, but this candidate had evaluated each point made and this response comes to a series of judgements about the importance of product from different perspectives. The complete response was awarded full marks.

Answer the question set



Whether it is a 20 mark evaluation question, or a 1 mark identify question, the most basic skill in an examination is to answer the question set. Candidates often lose marks by losing track of the question, going off on a tangent or simply not doing what the command word requires.

In the rush to get writing, candidates often forget the importance of the question and that their response must answer it. This can be achieved by referring back to the question in a response; for example, 'this shows that product is/is not the most important element of Subway's marketing mix' at every evaluation point.

A little time spent dissecting a question and planning a response before starting the response is invaluable and can avoid this common misconception.

Question 5

5 Explain **two** methods Subway could use to communicate with its franchisees.

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[4]

Methods of communication is a wide-ranging topic and it was no surprise to read many different correct responses to this question. Most candidates could identify two methods of communication, but relatively few contextualised this to the relationship between Subway and its franchisees.

The most common responses included; telephone, email and face to face (talking). Any of these could easily be applied to Subway and their franchisees, but candidates seemed to forget this was needed to answer the question.

This question was often answered with the first two methods of communication that each candidate could think of, as opposed to methods that were relevant to communicate between Subway and a franchisee. Another example of not fully answering the question set.

Question 6 (a) (i)

6 The owner of Tinkers Farm (TF), based in Central England, is considering bidding to supply the nearest eight Subway outlets with its tomatoes. Tomatoes are not TF's main product line. Current output is 6000 kg per annum. The table below shows TF's current costs of tomato production and average selling price.

Allocated fixed costs per annum	£5500
Variable costs (labour, fertiliser, compost), per kg	32p
Average selling price to current businesses, per kg	£1.50

(a) The owner of TF has estimated that he would need to increase the scale of tomato output to 7500 kg per annum to satisfy the demand from Subway, should he get the contract. He has calculated that the **extra** annual allocated fixed costs for the extra tomato production would be £750.

(i) Calculate the difference in cost **per kg** if TF moves to the higher level of production.

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..... [3]

Good responses to this question did not just give a correct response but set out the working to show how the response was found. This was particularly important since the rounding of each part would give slightly different responses. So, it was important for the examiner to be able to see how a candidate had rounded in their working. It also allowed candidates who made a mistake in their calculation to be awarded as many marks as possible for a valid method.

Question 6 (a) (ii)

- (ii) The owner of TF believes that Subway will only pay him 90% of his normal average selling price per kg of tomatoes. Calculate the contribution at this price.

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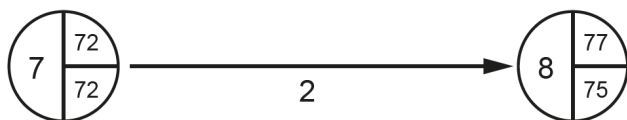
..... [2]

Again, many candidates did not clearly set out their working, making it difficult to award marks if the response was wrong. Good responses clearly showed the formula for contribution (which could be as simple as $\text{contribution} = P - VC$), the calculation of 90% of the normal price and then the final response.

Those candidates who did not gain full marks, often could show their calculation of 90% of the selling price and could therefore be rewarded for this where this was clear.

Question 6 (b) (i)

- (b) Tomato production at TF is broken down into five stages, from planting seeds to picking and packing the tomatoes. The 'picking' stage is shown below as part of a critical path network diagram of all production at TF (all times are in days).



- (i) Identify the earliest start time for this activity.

..... [1]

This was a straightforward question as long as the candidate knew how to read a network diagram. Occasionally a candidate would give an answer of '7', confusing the node number with the EST.

Question 6 (b) (ii)

(ii) Calculate the free float for this activity.

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..... [2]

There were a variety of incorrect responses for this question, with some candidates attempting complicated two or three stage calculations to find the response.

Again, a well set out response will help the examiner to award marks if a mistake has been made, or if a candidate has mixed up total float with free float.

Question 7

7 Subway India imports cheese from the USA.

Analyse **one** way in which Subway India might be affected by a rise in the value of the Indian Rupee against the US Dollar.

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[6]

Most candidates knew that a change in the value of the Rupee against the Dollar would affect the cost of cheese for Subway. However, a significant number of candidates thought this would lead to a higher cost for Subway. Obviously, this led to the rest of the response being incorrect and any analysis that followed was also incorrect.

The question called for the analysis of one way in which Subway India might be affected and good responses could identify the impact on costs and then went on to develop this analysis to show the effect on Subway. This chain of analysis can take many valid routes. For example, costs reducing may lead to a higher profit margin, if the price is maintained. Alternatively, it may lead to Subway being able to reduce the price and gain more customers. It may also allow Subway to have additional funds to expand in Kashmir.

Any valid route was rewarded and the most successful responses did not stop at giving one chain of analysis but gave two good, contextual chains of analysis of the effect on Subway India.

Exemplar 2

11

strong imports cheap exports dear

SPICED

strong

7 Subway India imports cheese from the USA.

Imports become cheaper. Any exports become dearer

Analyse **one** way in which Subway India might be affected by a rise in the value of the Indian Rupee against the US Dollar.

One way in which Subway India might be affected by a rise in the value of the Rupee against the US Dollar is that its imports, from the USA, specifically cheese, will become cheaper. The increased value of the rupee means when converted into dollars, they are worth more than compared to the lower exchange rate. As a result of cheaper imported ingredients, the variable costs for sandwiches in India are likely to decrease, assuming other supplies costs decrease or remain the same. As a result of decreased variable costs Subway India will experience an increase in their profit margin. Subway India could use the decrease in variable costs to decrease the price of their sandwich, however this would most likely only be for a short period of time and the decrease in price would probably not be significant enough to increase sales. Due to a decrease in variable costs Subway India is likely to experience an increase in profit. [6]

This exemplar shows a response with two developed chains of analysis and gains all the marks available.

Question 8

8 Explain **one** way in which Subway adds value as it prepares its sandwich products.

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..... [2]

This was probably the most consistently well-answered question on this examination. Most candidates could use the case study to identify a contextual way that Subway adds value. The most common responses included; grilling the sandwich to increase the perceived customer value, allowing customers to see the production process and customising each sandwich to a customer's specifications, which often is not available in pre-packaged sandwiches.

Candidates who struggled to apply their responses to other questions, usually succeeded in this question, showing that they could do it when they were comfortable with the topic area.

The 'easy' topics



Some topics in A Level Business are often thought of as being 'easy'. This is often not true, but there are some topics which are over-taught and given much more time in teaching than others.

Added value is one of those topics where candidates often do well and are generally able to apply to the given context. This may be because it is a relatively easy topic to exemplify, and teachers are able to give plenty of examples and activities in this topic area. The more examples and real world business examples that are used, the better candidates understand a topic.

The 'harder' topics, are likely to become easier for candidates if more real world examples and activities can be used.

Question 9

9 Analyse **two** ways in which Subway might have benefited from using Ansoff's Matrix in its decision to expand into Kashmir.

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..... [6]

Ansoff's matrix was well understood by most candidates, and most could identify quadrants of the matrix. Ways in which the matrix can be used was less well understood and some found it very difficult to apply the matrix to Subway's decision to expand into Kashmir. The most common, correct response was to suggest that Subway could use the matrix to assess the risks involved in the expansion.

Where candidates attempted to apply Ansoff's matrix to Subway's decision many correctly identified their expansion as being market development. However, it was possible to apply different quadrants of the matrix to Subway and analyse the benefits. Candidates were not penalised for choosing a different quadrant, as long as they could apply their knowledge, in context.

Question 10*

10* Evaluate the possible causes of change that might have affected Subway's operations. **[20]**

This question allowed candidates a great range of alternative routes and any potential changes that would/might apply to Subway could be used.

The case study provided a number of potential signposts for candidates to use and the most common included; technology, the economy, Covid, expansion to India and changes to the labour market.

Most good responses focused on two or three of the major causes of change that have affected Subway and then analysed the possible effects (good and bad) on its operations. Good evaluation was possible after each change had been analysed and culminated in an overall judgement over the biggest/most influential/best/worst cause of change that Subway faced.

Most candidates did not waste time defining what change is, which was refreshing in this examination. By finding relevant causes of change, candidates proved their knowledge without introductory paragraphs that often have little value except to waste precious examination time.

There were a few candidates who obviously felt time-pressured in this question, but the majority seemed to have left enough time to make a good attempt at a response.

As with Question 4, the biggest error candidates made, was not to spend enough time on evaluation, often giving four or more causes of change when two or three was enough (if done well).

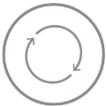
Exemplar 3

increased ~~labour costs~~ labour costs are also likely to affect Subway's operations as staff wages will increase meaning Subway's costs increase and their profit margins decrease. This might result in Subway having to make cost cuts elsewhere in its operations to remain profitable. However Subway already has a shortage of staff with a high labour turnover ~~so~~ therefore the cost increase might not be that significant. Also as a

...result of increasing labour costs, subways
 ...Staff are more likely to be motivated according to
 ...Maslow's motivation theory. Unlike the unavailability
 ...in staff, increased labour costs has the potential
 ...to improve staffs productivity and have a significant
 ...positive impact on Subways operations.

This exemplar extract shows a great point including a developed chain of analysis in context and some evaluation of the extent of the effect. The full response was awarded 18 marks.

Focusing evaluation



With such an open question, candidates need to set themselves a criteria for their evaluation. In many respects this is like setting the goalposts for a game of football. Great responses start evaluatively and set out what criteria the candidate is going to use to come to a judgement. Will it be to judge the change which has had the biggest effect on Subway, or the change that has been most detrimental? Alternatively, the candidate can set out to find the cause of change that has had the most long-term effect, or the one that is most unique to the business.

Knowing where a response is going is what often separates out a reasonable response from one that can gain all the marks and embeds the evaluation into the response right from the start.

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