



GCE

Applied Business

Unit **F248**: Strategic Decision Making

Advanced GCE

Mark Scheme for June 2017

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

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

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Subject-specific marking instructions

Testing of QWC

In this external assessment the assessment of QWC will take place in Question 2d which is a levels of response question and carries 14 marks.

Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 2d.

Level 4:

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

[4 marks representing the appropriate level of written communication are embedded in this level of response].

Level 3:

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

[3 marks representing the appropriate level of written communication are embedded in this level of response]

Level 2:

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.














[2 marks representing the appropriate level of written communication are embedded in this level of response]

Level 1:

Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

[1 mark representing the appropriate level of written communication is embedded in this level of response]

1. Annotations

	The response given is 'Unclear' to the marker.
	'Benefit of doubt' but credit given.
	To indicate the response is in 'Context' of the relevant case study.
	Response is incorrect, no credit can be given.
	Use for Level of response answers to indicate Level 1.
	Use for Level of response answers to indicate Level 2.
	Use for Level of response answers to indicate Level 3.
	Use for Level of response answers to indicate Level 4.
	The response is not incorrect but has 'Not answered the question'.
	Own figure rule. Use where indicated in the mark scheme.
	'Repeat' response repeats the same marking point.
	'Noted but no credit given' or to indicate all or part blank answer pages have been seen by the marker.
	Correct point/answer. Credit can be given.

Question			Answer	Mark	Guidance
1	(a)		Indicative content: <ul style="list-style-type: none"> • overall purpose of a business • direction a business wishes to take • the general goal of a business • long term intentions • what the business wishes to achieve. 	1	AO1: 1 For one mark. Do not award answers that specifically relate to objectives eg measurable targets. Do not award examples. ‘Outlook’/’ethos’ too vague No context required.

Question			Answer	Mark	Guidance
1	(b)		Indicative content: <ul style="list-style-type: none"> • to clarify goals • to guide thinking • to provide focus • so workers know what they need to do • to motivate staff • to set precise targets • to allow progress to be monitored • to judge when targets have been reached • to measure success • to judge effectiveness. 	1	AO1: 1 One mark for a correct identification. Do not award ‘to help a business achieve its goals’. Do not award ‘gives direction’ as aims already do this, but award ‘gives clear direction’ as objectives can add clarity. No context required.

Question			Answer	Mark	Guidance
1	(c)		<p>Indicative content:</p> <ul style="list-style-type: none"> • environmentalists/pressure groups • eco/environmentally-friendly suppliers • eco-friendly manufacturers • customers • Forestry Stewardship council • other environmentally friendly/ethical groups e.g. wildlife preservation societies • council/local government. 	2	<p>AO1: 2</p> <p>One mark for each correct identification, up to a maximum of two identifications.</p> <p>Must relate to trading practices. Do not award 'local residents'.</p> <p>Do not accept 'suppliers' unless clearly eco/environmentally-friendly.</p> <p>'Government' too vague.</p> <p>Stakeholders must be external.</p> <p>No context required.</p>

Question			Answer	Mark	Guidance
2	(a)		<p>Store Managers:</p> $\frac{52}{10400} \times 100 = 0.5\%$ <p>Award full marks for the correct answer: 0.5.</p> <p>Eg 0.5 (2)</p> <p>Eg 52/10400 (1)</p> <p>Eg 0.005 (1)</p>	4	<p>AO1: 2 AO2: 2</p> <p>Up to two marks for each of two ratios.</p> <p>Store Managers:</p> <p>No workings required. Award two marks for 0.5.</p> <p>Workings should only be marked if the final answer is incorrect. In which case award max one mark for the correct calculation (x100 not required) if seen.</p> <p>No marks for formula.</p>

		<p>Sales Assistants:</p> $\frac{5456}{68200} \times 100 = 8\%$ <p>Award full marks for the correct answer: 8.</p> <p>Eg 8 (2)</p> <p>Eg 5456/68200 (1)</p> <p>Eg 0.08 (1)</p>		<p>Sales Assistants:</p> <p>No workings required. Award two marks for 8.</p> <p>Workings should only be marked if the final answer is incorrect. In which case award max one mark for the correct calculation (x100 not required) if seen.</p> <p>No marks for formula.</p>
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Question		Answer	Mark	Guidance
2	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • increased costs/spending • higher breakeven point • lower profit margin • decreased profits • increased outgoings • reduced net cash-flow • poorer cash-flow position • reduced bank balance • reduced funds/less money available • use of overdraft • may exceed overdraft limit • may require an extension to overdraft limit • increased national insurance contribution • increased pension contributions • reduction in funds for investment • lower share dividend. 	4	<p>AO1: 2 AO2: 2</p> <p>In each case:</p> <p>Award two marks for a contextual explanation. Award one mark for a non-contextual explanation.</p> <p>No context required.</p> <p>Accept increased fixed or variable costs.</p> <p>Do not award 'overheads' as overheads are non-labour expenses.</p> <p>Do not award 'more sales' or 'increased revenue' as this is out of the business' control and therefore external.</p>

		<p>Eg Paying the Sales Assistants an increased rate of pay may require further use of the company's overdraft facility (CONT) (2).</p> <p>Eg Give Sales Assistants a pay rise will increase the break-even point (1).</p>		
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Question		Answer	Mark	Guidance
2	(c)	<p>Indicative content:</p> <ul style="list-style-type: none"> • better conditions of service eg holidays, maternity leave etc • more/longer breaks • allow more flexible working • better staff facilities e.g. staff room, microwave etc • better/more/centralised training for sales assistants • training • improved health and safety • change/improve the uniform • team building events/exercises • social events • non-financial reward schemes eg for good attendance, punctuality, long service etc • in branch sales assistant of the month scheme • praise and positive reinforcement for good work • job enrichment • job enlargement • job rotation • involve sales assistants in decision-making • set individual sales targets • frequent one to one meetings with sales assistants • inspirational store manager briefings • listen to sales assistant's concerns/suggestions 	2	<p>AO1: 2</p> <p>One mark for each correct identification, up to a maximum of two identifications.</p> <p>Must be non-monetary methods. Eg Do not award 'staff discounts', 'profit sharing schemes', 'bonuses' or 'commission' as these are all monetary methods.</p>

			<ul style="list-style-type: none"> • reassurance on job security • recognised promotion routes • enhanced responsibilities • improve communication. 		
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Question			Answer	Mark	Guidance
2	(d)	*	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • improvements in customer service • greater co-operation • tidy shelves • replenished stock • safe displays • fewer injuries • improved health and safety • reduced risk of legal action • polite staff • helpful staff • improved atmosphere in store • clean stores • fewer mistakes • reduced wastage • less damage to stock • lower levels of absenteeism • lower labour turnover • improved punctuality • greater volume of sales • increased revenue/turnover • improved cash-flow • reduced need for overdraft • improved profit margins • increased profits • reach break-even point faster 	14	<p>AO1: 2 AO2: 3 AO3: 4 AO4: 5</p> <p>QWC is assessed in this question.</p> <p>Levels of response</p> <p>Level 4 (10 - 14 marks) Candidate evaluates benefits to <i>TTT Ltd</i> of improving the motivation levels of its Sales Assistants.</p> <p>Level 3 (6 - 9 marks) Candidate analyses the benefit(s) to <i>TTT Ltd</i> of improving the motivation levels of its Sales Assistants.</p> <p>Level 2 (3 – 5 marks) Candidate applies knowledge and understanding of the benefit(s) to <i>TTT Ltd</i> of improving the motivation levels of its staff.</p> <p>Level 1 (1 – 2 marks) Candidate identifies the benefit(s) to a business of improving the motivation levels of its staff.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Context should be annotated every time L2 is awarded with the 'CONT' annotation.</p>

Question	Answer	Mark	Guidance
	<ul style="list-style-type: none"> • better working relationships • enhanced commitment • easier for store managers to manage • company more likely to survive. <p>Eg Employees who are highly motivated are less likely to be late for work (L1). <i>TTT Ltd's</i> Sales Assistants are late for work 12% (CONT) of the time and this is likely to reduce if their motivation levels were improved (L2). Turning up for work on time should lead to more work being done to ensure the toy displays are tidy and safe; thus improving the customers' retail experience and minimising the chances of legal action being taken against the store (L3).</p> <p>Improved motivation levels should mean that retail staff provide a better level of service to the customer (L1). Improving the motivation levels in store should minimise the likelihood of <i>TTT Ltd's</i> sales assistants being rude (CONT) to customers (L2), potentially leading to higher customer retention levels (L3).</p> <p>Given that the company has experienced a fall in turnover in each of the last three years (CONT), and that poor customer service has been cited as one of the contributory factors, the greatest benefit of improving the motivation levels of the sales assistants at <i>TTT Ltd's</i> 40 stores is likely to be higher customer retention rates, which should lead to increased sales by volume and value in future months and years (L4).</p>		<p>Non-contextual answer max Level 1.</p> <p>For context: Look for something more than <i>TTT Ltd/Halep/Fiona/Benedict</i> eg toys, wood, eco-friendly, 40 stores, uniform, parents, grandparents, gifts, falling turnover, poor customer service, dirty stores, untidy shelves, rude staff, dangerous displays, Christmastime, £4m overdraft, profit margin below industrial average.</p> <p>Do not award 'job security' or 'promotion prospects' as these are benefits to staff rather than to the business.</p> <p>Do not award 'improved morale' or 'improved job satisfaction' unless the benefit to the business is clearly shown.</p> <p>Do not award 'work harder' as this is an impact on the employee not the business. However, award 'work faster', 'work better', 'work more efficiently'.</p> <p>Do not award ways of improving motivation.</p> <p>Level annotation required.</p>

Question			Answer	Mark	Guidance
3	(a)		Indicative content: <ul style="list-style-type: none"> total revenue equals total costs no profit or loss is made revenue equals expenses the output level immediately prior to making a profit. 	1	AO1: 1 For one mark. Do not award 'money in equals money out', as this relates to cash-flow rather than profit.

Question			Answer	Mark	Guidance
3	(b)		Indicative content: <ul style="list-style-type: none"> selling price minus variable cost (per unit) SP – VC. 	1	AO1: 1 For one mark. Formula (rather than definition) required.

Question			Answer	Mark	Guidance
3	(c)		Use levels of response criteria. Indicative content: <ul style="list-style-type: none"> calculates the quantity needed to breakeven/start making a profit shows profit/loss at selected output levels calculates contribution shows margin of safety encourages what if? analysis visual tool/graphical representation more easily applicable to a single product line more useful to producers than retailers assumes all stock is sold 	8	AO1: 2 AO2: 2 AO3: 2 AO4: 2 Levels of response Level 4 (7 - 8 marks) Candidate evaluates the usefulness of break-even analysis to <i>TTT Ltd</i> . Level 3 (5 - 6 marks) Candidate analyses the benefit(s)/drawback(s) of break-even analysis to <i>TTT Ltd</i> Level 2 (3 – 4 marks) Candidate applies knowledge and understanding of the

Question	Answer	Mark	Guidance
	<ul style="list-style-type: none"> • ignores stock damage or loss • assumes fixed costs remain constant • uses average price across a product range • assumes the same price is charged in all stores • cannot account for new product lines • ignores promotional offers and price discounts • assumes that costs can be accurately calculated • assumes that costs can be split into fixed and variable • ignores inflation and other changes in external factors which affect cost/selling price • quantitative only • gives no indication of time • only a prediction • time consuming • business already profitable. <p>a.</p> <p>Eg Break-even analysis allows a business to calculate its margin of safety (L1). This means that the analytical technique will allow <i>TTT Ltd</i> to calculate by how far its sales of toys (CONT) can fall before it begins to make a loss (L2). This should improve strategic planning, informing Benedict and the other directors of the severity and urgency of the company's current position (L3).</p> <p>However, break-even analysis uses average selling price to allow a business to calculate its margin of safety (L1). In <i>TTT Ltd's</i> case the selling price of each product is set by the store manager and varies from branch to branch (CONT), thus making any analysis of its break-even position difficult (L2). Revenue figures are likely to be inaccurate, resulting in misleading break-even figures (L3).</p> <p>Given that the accuracy of the break-even calculation at</p>		<p>benefit(s)/drawback(s) of break-even analysis to <i>TTT Ltd</i></p> <p>Level 1 (1 – 2 marks) Candidate identifies the benefit(s)/drawback(s) of break-even analysis with no use of context.</p> <p>NB The question refers to 'usefulness'. A two-sided argument is required to award the top of mark bands 1 - 3.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Context should be annotated every time L2 is awarded with the 'CONT' annotation.</p> <p>Non-contextual answer max Level 1.</p> <p>For context: Look for something more than <i>TTT Ltd/Halep/Fiona/Benedict eg toys, wood, jigsaws, rocking horses, £600, eco-friendly, 40 stores, uniform, parents, grandparents, gifts, falling turnover, poor customer service, dirty stores, untidy shelves, rude staff, dangerous displays, Christmastime, £4m overdraft, profit margin below industrial average.</i></p> <p>Do not award 'increased motivation' or 'sets employees targets'.</p> <p>Level annotation required.</p>

Question			Answer	Mark	Guidance
			<i>TTT Ltd</i> is likely to be further affected by the need to offer discounted prices to encourage customers to buy toys (CONT) which are not selling as well as expected in a particular branch, not to mention the inevitable loss of stock from theft or missing parts, it will be almost impossible for <i>TTT Ltd</i> to produce meaningful calculations which can be relied on. This is especially true given the wide range of wooden toys it stocks (from inexpensive jigsaws to premium priced rocking horses) and the variation in prices from store to store (L4) .		

Question		Answer	Mark	Guidance
4	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Inflation – a general increase in prices/fall in purchasing power of money/rise in cost of living • interest rates – cost of borrowing/reward for saving • taxation – money paid to government/to fund the public purse • employment levels – people in paid work/earning a living. <p>Eg Inflation is a sustained increase in the general price level (1). If inflation increases the cost to buy in wooden toys will increase (1).</p> <p>Eg Interest rates show the cost of borrowing money (1). If interest rates increase <i>TTT Ltd</i> is likely to have to pay more for its overdraft (1).</p> <p>Eg Taxation is a charge levied on individuals and businesses in order to raise public funds (1). An increase in corporation tax would mean that <i>TTT Ltd</i> would have less retained profit (1).</p> <p>Eg Employment levels relate to the number of people who earn a living by doing paid work (1). If employment levels increase <i>TTT Ltd</i> should be able to sell more toys (1).</p>	8	<p>AO1: 4 AO2: 4</p> <p>One mark for each correct meaning up to a maximum of four identifications, plus one mark for each correct impact to a maximum of four.</p> <p>Context must be, at least, implicit.</p> <p>Impact must be of an increase in the external factor.</p> <p>‘Meaning’ mark required before impact can be awarded.</p> <p>‘Impact’ marks should be awarded for ‘how’ not ‘why’.</p> <p>Do not award meanings that solely repeat the terms they are describing i.e. do not award ‘employed’ for ‘employment levels’ or ‘tax’ for taxation.</p> <p>Accept current or future impacts on <i>TTT Ltd</i>.</p>

Question			Answer	Mark	Guidance
4	(b)		<p>Indicative content:</p> <ul style="list-style-type: none"> • increased birth rate • trend towards buying eco-friendly/environmentally-friendly • increase interest in sustainability • increase in ethical consumerism • increase in ecological awareness • increased preference for fair trade products. 	1	<p>AO2: 1</p> <p>For one mark.</p> <p>Context must be, at least, implicit.</p> <p>The question relates to sales in <i>TTT Ltd</i>'s current stores. Do not award trends that would only improve online sales.</p> <p>Do not award vague answer i.e. do not award 'change in customer tastes'.</p>

Question		Answer	Mark	Guidance
5	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • commercial marketing research organisations (eg Mintel, Ipsos, TNS, Anderson Analytics) • government agencies/statistics • census information • Companies House • industry and trade associations (eg Chamber of Commerce) • books • e-books • trade journals and magazines • works published by professional organisations • the broadcasting media and general press • other published works (eg academic research) • Internet/webpage • search engines e.g. Google • social media e.g. Twitter, Facebook • online reviews • libraries. 	2	<p>AO1: 2</p> <p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Source required (rather than type of data).</p> <p>Must be a secondary source. Do not award primary research sources.</p> <p>Do not award methods of collecting data i.e. do not award 'focus group', 'survey', 'interview' etc.</p> <p>No context required.</p>

Question			Answer	Mark	Guidance
5	(b)		<p>Indicative content:</p> <ul style="list-style-type: none"> • need to develop more product knowledge • additional training at head office • new stock handling procedures • need to train their sales assistants • need to handle change positively • difficult to predict customer demand • difficult decisions on stock and reorder levels • need to decide prices for their store • need to display the new products • need for additional promotions/special offers • new merchandising and display techniques • time consuming • greater workload. <p>Eg Store managers will need to learn about the special qualities and environmental benefits of bamboo (1). So that they can train their Sales Assistants (1).</p>	4	<p>AO1: 2 AO2: 2</p> <p>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</p> <p>Context must be, at least, implicit.</p> <p>Impacts must be on store managers, not <i>TTT Ltd</i> or sales assistants.</p> <p>Do not award 'marketing campaign' as this would be done by the marketing function at head office.</p> <p>Answer must be clearly related to the introduction of bamboo products.</p> <p>Explanation mark must be for 'why' (and not a further impact).</p>

Question			Answer	Mark	Guidance
5	(c)		<p>Indicative content:</p> <ul style="list-style-type: none"> • environmentally-friendly • enhanced corporate image 	2	<p>AO1: 2</p> <p>One mark for each correct identification up to a maximum of</p>

Question	Answer	Mark	Guidance
	<ul style="list-style-type: none"> • good public relations • reinforces company aims • compatible with company's trading position • respected by target market – eco-consumers • use as a marketing tool • reduced costs – raw materials, energy etc • reduced waste disposal costs • reduced cash outflows • improved cash-flow position • reduced need for overdraft • greater output • higher sales • increased revenue • increased profits • improved productivity/productive efficiency • improved stock control of raw materials • improved profit margins • lower break-even point • reach break-even point faster • improved CSR profile • viewed as an ethical manufacturer • reduced carbon footprint • benefits the triple bottom line. 		<p>two identifications.</p> <p>No context required.</p> <p>Do not award 'labour efficiency'.</p>

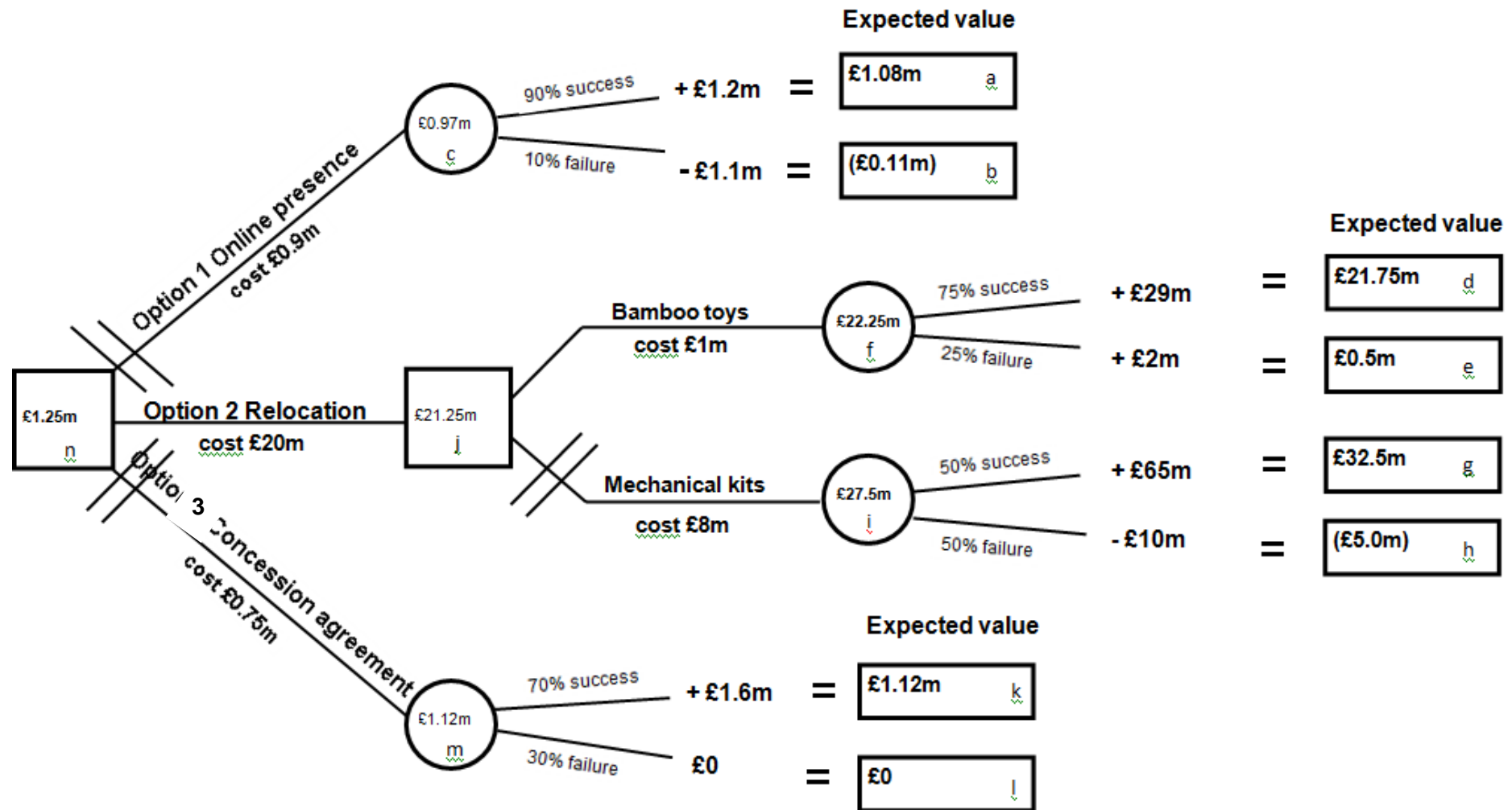
Question			Answer	Mark	Guidance
5	(d)	(i)	<p>Outflow = £750,000 Inflow required = £600,000+£150,000/£600,000</p> <p>Payback period = 1 year and 3 months</p> <p>Award full marks for the correct answer: 1 year and 3 months (1.25 years).</p> <p>Eg 1 year 3 months (2)</p> <p>Eg 15 months (2)</p> <p>Eg 1¹/₄ years (2)</p> <p>Eg 1 year (1) 4 months (0)</p>	2	<p>AO1: 1 AO2: 1</p> <p>Up to two marks.</p> <p>Award full marks for 1 year 3 months/1.25 years/15 months or equivalents irrespective of workings.</p> <p>Else award max one mark for 1 year (irrespective of partial year) if seen.</p>

Question			Answer	Mark	Guidance
5	(d)	(ii)	<p>Total cash inflow £2,400,000 Minus cost £750,000 Total NCF = £1,650,000</p> <p>£1,650,000 divided by 4 years = £412,500 per annum</p> <p>$\frac{£412,500}{£750,000} \times 100 = 55\%$</p> <p>Or £1,650,000 divided by £750,000 = 2.2 return</p> <p>$\frac{2.2}{4 \text{ years}} \times 100 = 55\%$</p> <p>Award full marks for the correct answer: 55%</p>	2	<p>AO1: 1 AO2: 1</p> <p>Up to two marks.</p> <p>No workings required. Award full marks for 55.</p> <p>Workings should only be marked if the final answer is incorrect. In which case award max one mark for sight of 412,500 or 2.2 if seen.</p>

Question			Answer	Mark	Guidance
			Eg 55 (2) Eg £412,500 (1) Eg 2.2 (1)		

Question			Answer	Mark	Guidance
5	(d)	(iii)	Year 0 (£750,000) Year 1 £545,400 Year 2 £495,600 Year 3 £450,600 Year 4 £409,800 Award full marks for the correct answer: £1,151,400 Eg 1,151,400 (2) Eg £1.1514m (2) Eg £1.9014m (1)	2	AO1: 1 AO2: 1 Up to two marks. No workings required. Award full marks for 1,151,400 . Else award max one mark for £1,901,400.

Question			Answer	Mark	Guidance
6			a £1.08m b (£0.11m) c £0.97m d £21.75m e £0.5m f £22.25m g £32.5m h (£5.0m) i £27.5m j £21.25m k £1.12m l £0 (or dash) m £1.12m n £1.25m Full marks (14) for £1.25 million (£1,250,000) in n. Else: 1 mark for each correct response in boxes a – m. See completed decision tree on following page.	14	AO1: 7 AO2: 7 Up to 14 marks. Award full marks for £1.25 million in box n (irrespective of whether other boxes are completed or correct). Do not award answers that do not include an indication of millions (or m or appropriate zeros). £ sign not required. Millions (or m or zeros) required . Mark magnitude only – ignore incorrect negatives/brackets. No OFR.



Question			Answer	Mark	Guidance
7	(a)	(i)	<p>Indicative content:</p> <ul style="list-style-type: none"> Option 1 – Online presence – market penetration/market development Option 2a – Bamboo toys - (new) product development Option 2b – Mechanical kits – diversification. 	3	<p>AO2: 3</p> <p>One mark for each correct identification, up to a maximum of three identifications.</p> <p>Quadrant name required. Do not award 'same product, new market' or 'new product, same market' or 'new product, new market'.</p>

Question			Answer	Mark	Guidance
7	(a)	(ii)	<p>Indicative content:</p> <ul style="list-style-type: none"> Ansoff's Matrix only covers growth strategies Option 3 is not a growth strategy the new product is part of the Concession owner's business not <i>TTT Ltd's</i> Option 3 does not fit into any quadrant Ansoff's Matrix cannot be used to ascertain the level of risk for Option 3 the risk is Jan's, not <i>TTT Ltd's</i>. <p>Eg Ansoff's Matrix is a tool for assessing growth strategies (1). It cannot assess the risk of other strategies (1).</p> <p>Eg The strategy does not fit into any of the quadrants (1) as it is not a growth strategy (1).</p> <p>Eg On the face of it, it appears that Option 3 is market penetration because <i>TTT Ltd</i> is not changing its market or its product (1) however this option is not a growth strategy so cannot be categorised as such (1).</p>	2	<p>AO1: 1 AO2: 1</p> <p>One mark for a correct identification, plus a further one mark for an explanation.</p>

Question			Answer	Mark	Guidance
Question			Answer	Mark	Guidance
7	(b)		<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • capital cost • proposed funding method • likelihood of success – decision tree • degree of risk – Ansoff's Matrix • investment appraisal figures • additional revenue streams • growth potential • current financial position – cash-flow, overdraft, turnover, profit, net worth, spiralling rents, costs of traditional marketing • cause of current problems • clientele/target market • marketing/market research • currently only source toys made in the UK • niche market – wooden toys • viability of current stores • size of current stores • business aim – bring eco-friendly toys to market • corporate image – traditional, high quality • directors' commitment to environmentally-friendly trading practices • control issues • current HR issues • poor levels of customer service • impact of options on workforce • managerial skills • market position/potential competition • the need for innovation 	20	<p>AO1: 2 AO2: 4 AO3: 6 AO4: 8</p> <p>Level 4b (17 - 20 marks) Candidate evaluates which option <i>TTT Ltd</i> should choose using both quantitative and qualitative argument.</p> <p>Level 4a (13 - 16 marks) Candidate evaluates which option <i>TTT Ltd</i> should choose using either quantitative or qualitative argument.</p> <p>Level 3 (7 - 12 marks) Candidate analyses the option(s) under consideration at <i>TTT Ltd</i>.</p> <p>Level 2 (3 - 6 marks) Candidate applies knowledge and understanding to <i>TTT Ltd's</i> option(s).</p> <p>Level 1 (1 - 2 marks) Candidate identifies factor(s) involved in strategic decision making with no use of context.</p> <p>Do <u>not</u> award marks for repeating the case study (REP annotation can be used).</p> <p>Non-contextual answer max Level 1.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Context should be annotated with the 'CONT' annotation, where appropriate.</p>

- economic instability
- economic conditions – exchange, interest, inflation, unemployment rates
- social trends eg demographics, sustainability, ethical consumerism
- technical, logistical and operational issues.

	Opt1 Online presence	Opt 2 Relocation		Opt 3 Concession agreement
		2a Bamboo	2b Mechanical models	
Cost	£0.9m	£21m	£28m	£0.75m
Payback	2y 4m	3y	3y 2m	1y 3m
ARR	44%	11%	18%	55%
NPV	£0.965m	£2.233m	£7.964m	£1.1514m
Finance	Rights issue	Venture capitalist	Public flotation	
Ansoff	Market development/ penetration	Product development	Diversification	n/a
Success	90%	75%	50%	70%
Failure	10%	25%	50%	30%
Best case	£1.08m	£21.75m	£32.5m	£1.12m
Worst case	(£0.11m)	£0.5m	(£5.0m)	£0
Decision tree	£0.07m	£1.25m	(£0.5m)	£0.37m

b.

c. Eg When deciding which strategic direction to take, a business should consider the current problems it is facing (**L1**). *TTT Ltd* is currently experiencing many problems, most of them financial (**CONT**). The most pressing problem appears to be a continual fall in revenue. The company needs to choose a strategy which will reverse this revenue trend (**L2**).

d.

For context: Look for something more than *TTT Ltd/Halep/Fiona/Benedict* eg toys, wood, jigsaws, rocking horses, £600, eco-friendly, 40 stores, uniform, parents, grandparents, gifts, falling turnover, poor customer service, dirty stores, untidy shelves, rude staff, dangerous displays, Christmastime, £4m overdraft, profit margin below industrial average, e-commerce, bamboo, manufacturing kits, children's clothing, bespoke, concession owner.

Level annotation required.

		<p>e. Option 1 should allow the company to reach a larger target market than it could otherwise achieve with its 40 (CONT) physical stores (L2), thus increasing revenue (L3). However this modern, multimedia approach may conflict with the company's traditional image and actually damage sales at its physical stores (L3).</p> <p>f.</p> <p>g. Likewise, relocating and selling bamboo toys. Despite being shown to be the option which gives the highest (CONT) expected value on the decision tree (L2), it may actually cause a reduction in company revenue. As the bamboo toys would be imported from China, this would conflict with the company's reputation for selling British made products, potentially reducing its customer base and overall sales levels (L3).</p> <p>h.</p> <p>i. Option 2b has the highest (CONT) NPV (L2) and on the face of it should increase <i>TTT Ltd's</i> revenue significantly. However the company has no expertise in manufacturing, nor in selling anything other than toys (L2). This makes the option very high risk, especially when coupled with a time-consuming and expensive flotation. It may even lead to the company losing control of its environmentally-friendly trading position (L3).</p> <p>j.</p> <p>k. A much better way to improve the company's financial position would be to enter into a concession agreement with Jan Pascal's label. Being an eco-friendly fashion label this option should not conflict with <i>TTT Ltd's</i> aims (CONT). In fact the synergy between the two businesses may even strengthen the company's environmentally-friendly reputation; and that without any risk of the directors losing their control of the company (qual) (L4). Since the customer profile for both businesses would be similar, <i>TTT Ltd</i> should benefit from</p>		
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		the increased footfall through its stores, with a consequent increase in its sales. Moreover, this option is the cheapest option and would supply a much needed additional income stream (CONT) worth in the region of £50,000 each month (quant) (L4) .		
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OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

Education and Learning

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

www.ocr.org.uk

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Facsimile: 01223 552553

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