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Examiners' report

BUSINESS

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For first teaching in 2015

H431/03 Summer 2019 series

Version 1

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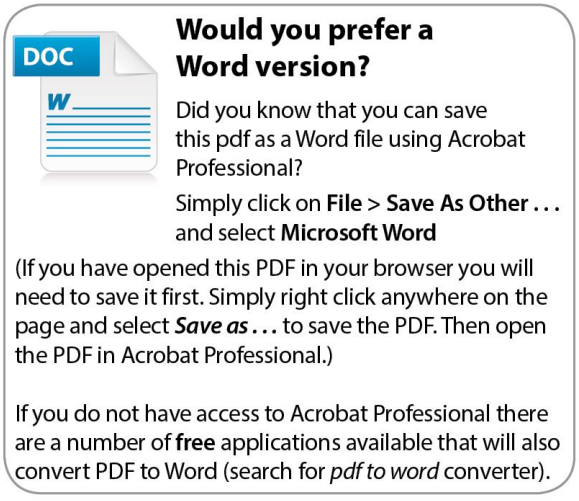

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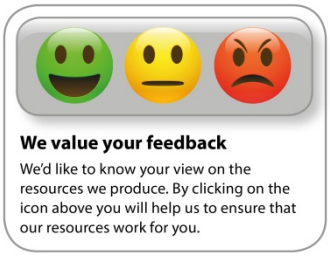

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Introduction

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. 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 can be downloaded from OCR.

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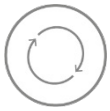
Paper 3 series overview

This examination is based on the global business environment and the case study was based on BMW, a global business that operates in a dynamic business environment. Candidates needed to engage with the context to fully answer the majority of the questions. On the longer questions, that require analysis and in some cases evaluation, context is the key to opening the door to these higher-level skills. Without the use of context, the maximum number of marks available is low and candidate sometimes suffered from writing generic answers that were no more applicable to BMW than any other business.

	**AfL**	Candidates must spend a reasonable amount of time reading and understanding the case study so that they can answer higher-level questions. A good rule of thumb is to ask candidates to read the case study before attempting any of the questions. They should then read through all of the questions and identify the command word and area of the specification it concerns. A final re-read of the case study can then be performed to match up the questions to the relevant part of the case study. This process can take time, but it will pay-back to the candidate in a better, more focussed answer that will gain more marks. Too many candidates waste time in an answer on irrelevant points that are not supported by the case study data.

	OCR support	There are specimen, practice and past papers that can be used to help prepare candidates for case study papers. There are enough of these not just to use for 'mock' examinations in centres, but also to focus on examination technique and how to use case studies. The H431 resources are found at https://www.ocr.org.uk/qualifications/as-and-a-level/business-h031-h431-from-2015/ as well as on interchange. There are also legacy A Level Business Studies (H430) examination papers that can be used for case study preparation available at https://www.ocr.org.uk/qualifications/as-and-a-level/business-studies-h030-h430/. Although these have a different format, the case studies for F292, F293, F294, F295 and F297 are all good material for preparing candidates for using case study material to answer questions.

There was clear evidence of candidates focussing on some skill areas too much and others not enough. For example, in a 20 mark question, such as Questions 4 and 6 on this examination 40% of the marks are available for evaluation, 30% for analysis, 20% for application and only 10% for knowledge. However, candidates often spent time on these skill areas in the reverse order, with far too much time spent telling the examiner about what they know and very little, if any, time spent evaluating their arguments. Likewise, applying the context was often ignored with perhaps only the odd name-drop of BMW or use of the word 'automobile'. It is not unreasonable to expect each analytical point to include reference to (not repetition of) the case study material and an evaluation of how that analytical points helps to answer the question.

	Misconception	Candidates often believe that evaluation can only happen at the end of an answer, perhaps in a conclusion. However, good answers are evaluative throughout. The skill of evaluation is about answering the question. However, that does not just happen at the end of a response. Every paragraph should be heading towards the answer and good evaluation can happen within each paragraph to show how the point goes towards this judgement.

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Question 1

1 Explain **two** ways changes in technology might have an impact on a business such as BMW.

1 .....

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.....

.....

2 .....

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[4]

Although most of the questions on this examination require context to be used and are based on BMW, this question is not. The phrase '…such as BMW' means that a candidate does not need to use the case study material in their answer.

The question asks for two ways in which technology might have an impact, therefore the technological change does not need to be outlined, only the impact. For example, technology could impact upon a business's new products designs, to make them more desirable, or cheaper to produce.

This was an accessible question for most candidates and a nice start to the examination. The majority of candidates were able to identify and explain two possible impacts with very few choosing to omit this question.

Question 2

2 Explain **one** way crisis management may be important for a business.

.....

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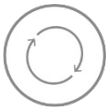
..... **[2]**

Candidates often did not know the difference between crisis management and contingency planning. Subsequently this was a poorly answered question. Many candidates gained no marks for this question because they focussed on how a business could prepare for a crisis not how a crisis could be managed when it occurs.

	**AfL**	There are many terms in the Business specification that require a precise and unambiguous understanding. Care must be taken to prepare candidates for the examination by teaching these terms in their own right, not as a combined topic area. For too many candidates it was clear that they thought that there was no difference between crisis management and contingency planning and this led to unfocussed responses.

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Question 3

3 Analyse **one** benefit to BMW of its approach to workforce planning at its Dingolfing factory.

.....

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..... **[6]**

Workforce planning is another term which was poorly understood. Workforce planning is about the recruitment and deployment of labour and skills in a business.

Many candidates focussed on how BMW had made arrangements for their workforce (slowing down the production line, ergonomic back supports, mobile tool trolleys, etc.) as opposed to planning for the workforce they need. This often led to answers which gained no marks because the basic knowledge was not present. Candidates cannot gain any application or analysis marks unless the knowledge underpinning the question has been understood.

Exemplar 1

By having a 'diverse workforce' - line 20, BMW recruits employees who are 'innovative and unique'. This is a benefit as BMW have allowed for employees to share their specialisation when working together to produce cars for BMW. As ~~stat~~ This would motivate employees to work together on the 'quality of the product', which the employees value most; and therefore allow the employees to have a high morale as well as job security. This is therefore a benefit of BMW's approach to workforce planning as with motivated and driven employees, the highest quality products would be produced. This means that the businesses products would be seen as high valued products, generating demand and subsequently, revenues and profits.

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This response shows that the candidate has clear knowledge of what workforce planning actually entails (BWM recruits employees who are 'innovative and unique'). Within this line the candidate has shown their knowledge and applied the case study material. This then opens the door to the following analysis of the benefit of this approach to BMW. A good answer.

Exemplar 2

one benefit would be an increased motivation of employees. This is because they have planned it to make the older employees more comfotable and so as a result the employees will feel like BMW cares about them and has thought about them. Because they feel cared for they are more likely to want to work harder for the business because they feel like they want to give something back. As a result of working harder it means production will rise. This then means a quicker turn around of the cars and more cars to sell. If there are more cars to sell it means [illegible] more profit for BMW.

This is an example of a candidate who did not understand what workforce planning is about. BMW's workforce planning is not to plan to make the older workers more comfortable. This is how BMW have adapted their workplace for their workers, not planning for the workforce they require. The analysis is very similar but the basic knowledge is not present and, as such, the candidate received no marks.

	AfL	An answer cannot gain any marks unless knowledge has been shown. As a rule of thumb, this knowledge is likely to be based on a Business term in the wording of the question. It is not necessary for a candidate to start answers with a definition, it is equally valid to show understanding of a term through its use. However, it must be present and centres should prepare candidates by making sure that they have a good foundation of key term knowledge and that candidates are ready to display this in their responses.

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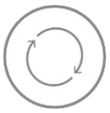
Question 4

4* Evaluate the importance of logistics to BMW's operations. **[20]**

Candidates tended to fall into one of two camps on this question. Those who had a good, specific knowledge of what logistics involves and those who stumbled across some element of logistics in their answer.

For those candidates who had a clear idea that logistics is about the movement and storage of inventory and materials involved in the production and supply of a good, had plenty to write about based on the case study. BMW has a clear issue around the decision to supply locally in a country or to ship parts and kits between countries. There are other obvious issues such as the storage costs for something as large as a car and the needs to the consumer. Will they wait for something as desirable (want segment) as a BMW?

However, many candidates did not have a clear idea of what logistics was about, but they perhaps knew it was to do with production or operations management (the question also suggests this). Therefore, we saw a number of answers which analysed the importance of every operational area of BMW mentioned in the case study. Often this led to a paragraph or two which was rewardable within the answer, because it was linked to logistics. However, the totality of the answer showed little understanding of the process. Where candidates had some rewardable material in their response, these marks were rewarded.

	**AfL**	Logistics is an area which encompasses many other sections of the specification (supply chain management, distribution management, the role of warehousing, the role of distribution centres, digital), all of which are likely to have been taught, but not necessarily under the heading of 'logistics'. Centres should make sure that candidates can recognise what pieces of their Business knowledge are required when a question such as this is asked.

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Exemplar 3

Logistics in BMW's operations are important to a certain extent as they can help in showing which products and brands are being successful and which are less successful. With BMW owning three premium brands (BMW, MINI and Rolls-Royce). Logistics allow BMW to compare which brands are currently more successful than others and even compare to other businesses in the same market. This is important to BMW's operations since it can highlight which part of the operations process for certain brands ~~it~~ is causing success or unsuccess. This means that BMW will able to make improvements to an operations process as the logistics have highlighted which brands are peforming better in the market compared to others.

This response is the start of an answer where the candidate did not know what logistics is actually about. There is some idea that it is linked to operations but no clear knowledge of the aspects involved.

Exemplar 4

Logistics to BMW is the movement of parts to where they are needed, when they are needed and how they are moved from place to place.

Whereas this response started with a simple definition of logistics which allowed the candidate to go on and fully analyse and evaluate the importance to BMW. The start of an answer is often where a candidate can set out the 'goal posts' for their answer. In other words, they set up what the question is about and then it becomes easier to evaluate the importance of this process to the business concerned.

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?	**Misconception**	Learning and understanding key terms can be seen as 'low-level' skill and may not always be focussed upon in revision. However, a lack of understanding of these basic key terms has precluded some candidates from providing good answers to Questions 2, 3 and 4 on this examination. Time spent revising these basic elements of the specification is never wasted because it can allow candidates to access the higher-level skills of application, analysis and evaluation of which most are capable to different degrees.

Question 5 (a)

5 Syngla Enterprises (SLE) is based in Spain and is a major supplier of quality leather seat covers found in premium cars manufactured in the EU. SLE only produces the seat covers once an order is received. It does not supply BMW at the moment but hopes to get a major contract with it in the near future. Spain's currency is the Euro.

Table 1 shows some data about SLE and the market it operates in.

SLE market data

	2018	2017
Demand from EU car manufacturers for leather seat covers (million units)	3.71	3.55
SLE's sales of leather seat covers (million units)	0.23	0.20
SLE's sales revenue from leather seat covers (€m)	12.65	10.60
SLE's total variable costs of production (€m)	2.53	2.18

Table 1

(a) Calculate SLE's EU market share in 2017.

.....

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.....

.....

Answer ..... **[2]**

Candidates often knew this or not, making the most common marks either 0 or 2. Where candidates did sometimes gain a single mark it was through a basic error, such as getting the formula the wrong way round, or a mistake in the calculation leading to a wrong answer, but one where the examiner could see that the correct numbers had been used in a correct way (apart from the error). Candidates should always be encouraged to set out their working so that candidates can be rewarded, even if there is an error in their calculations.

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Question 5 (b) (i)

(b) (i) SLE has been approached by an agent working for BMW's niche sports car factory, based in Italy. The agent has offered to buy 1500 car seat covers at a price of €26 each.

Using the **2018** data from **Table 1**, calculate the total contribution of this order.

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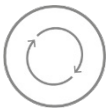
.....

Answer ..... **[3]**

This question proved to be a good discriminator and most candidates who attempted this question, could calculate the revenue from the order (€39,000) but often did not know where to move on from here.

To correctly calculate the answer, candidates needed to work out the marginal/variable cost of each unit of SLE's output (€11) and then calculate the total variable cost to take this away from the revenue. Almost a third of candidates did this successfully, however there were some strange uses of figures that showed an underlying difficulty with calculating contribution in this way.

	**AfL**	Candidates often have difficulties in doing calculations in A Level Business, especially when the question does appear in the 'normal' format that they may have encountered during their lessons. Centres should be encouraged to challenge candidates with calculations in different formats and using 'real' figures that are likely to require a calculator to correctly answer.

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Question 5 (b) (ii)

(ii) Should SLE accept this order? Justify your decision. **[10]**

This question was focussed on SLE, not on BMW and candidates generally focussed their answers on the benefits and costs to SLE of this venture. There was limited context to apply to this answer and the intention was that candidates would use their answer to the preceding question as one of their arguments for or against.

Where candidates made a mistake in the preceding question, whatever answer they came up with was rewardable as application under the own figure rule (OFR). The correct answer gave SLE a positive contribution of €11 which could have been seen as a positive argument (the contribution is positive so as long as SLE have capacity it reduces the fixed cost burden on the other products and/or provides profit), or a negative argument (it is well below the normal level of contribution/price). Candidates should be encouraged to use whatever figures they have calculated to preceding questions with confidence, even if they believe they have not found the correct answer.

Some candidates did not use their answers and this meant that their arguments needed to focus on the long-term potential of the order from BMW. Would SLE gain future orders of a more substantial size? Is a relationship with BMW likely to enhance their position in the market? Do they have the capacity to produce this order without ignoring their established customer base?

The wording of the question led many candidates to give a judgement, which is the heart of evaluation (answering the question) and it was pleasing to be able to reward evaluation in most answers.

This was a good discriminating question, that saw candidates achieving at each mark between 0 and 10.

Candidates who gained full marks needed a basis of knowledge (what generic factors would a business need to consider when looking at an order) and application (what are the specific aspects of this order, such as contribution, the BMW brand name, etc.) as well as two analytical arguments. This could have been in the form of an argument why SLE should accept the order and an argument why they should not accept the order, or two positive (or negative) arguments. Either approach could have been successful as long as the arguments had multiple links in the chain of analysis. This means that there should be effects on SLE as a business (sales, profit, growth, etc.) that were linked together to show how SLE would benefit or not. Weak analysis only has one link in the chain of analysis, whereas developed analysis has multiple links in the chain.

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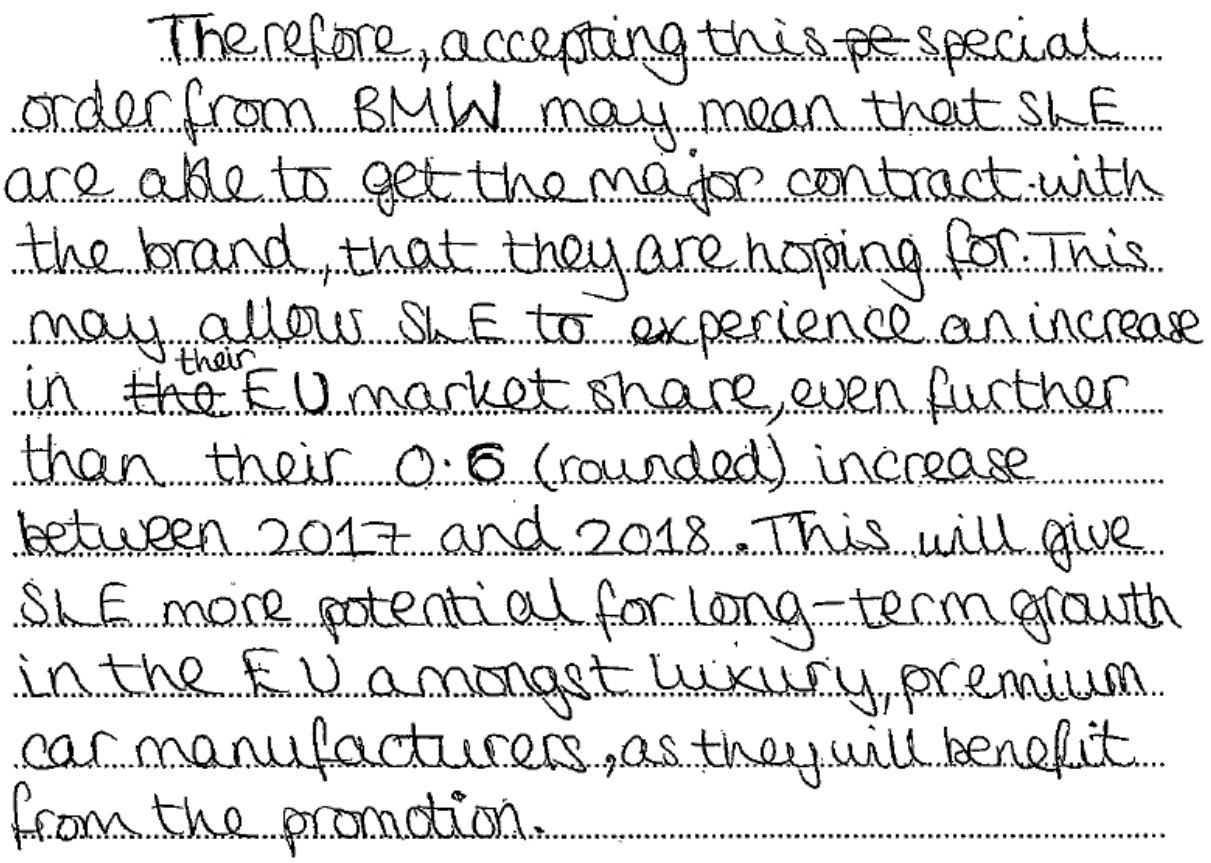
Exemplar 5



This section of a candidate's response shows a clear chain of analysis which also encompasses application. SLE will gain a major contract, increasing market share and more potential for long-term growth. A good chain of analysis will often 'end' in whether the argument is beneficial in the business achieving its objective or not. For many businesses this will be whether it makes a profit or not, but candidates should be asking what is it that the business is most likely to be trying to achieve, in this case growth is a reasonable assumption.

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Question 5 (c) (i)

(c) SLE holds large quantities of tanned leather ready to be used in the manufacturing of car seat covers. SLE usually orders tanned leather on the first day of each month, which then arrives on the first day of the next month. The principal supplier of tanned leather is based in Morocco, a non-Euro and non-EU country. SLE's planned buffer stock is 20 000 units.

Stock control chart for the end of 2018 at SLE

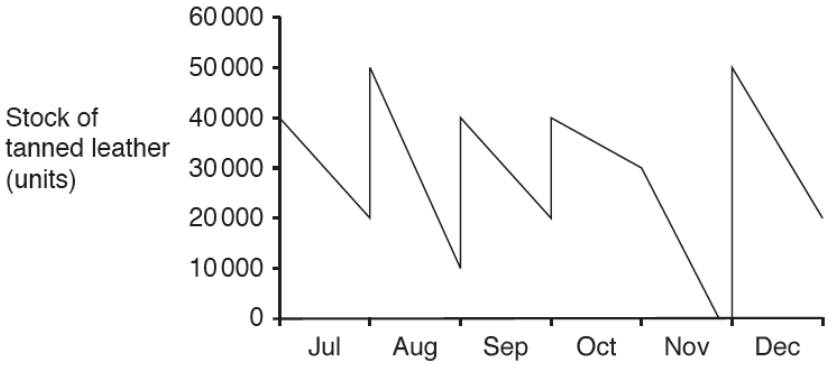

Fig. 1

Using **Fig. 1**, identify:

(i) the number of times any buffer stock was used

..... **[1]**

Candidates were required to know what 'buffer stock' means and to then apply this to the stock control chart in Fig. 1. Most candidates identified the correct number of times (twice).

Question 5 (c) (ii)

(ii) the lead time

..... **[1]**

To identify the lead time, required candidates to use the data above Fig.1 and to apply their knowledge of the term to the data given. The majority of candidates could do this, although slightly less than in the previous question. It should be noted that on many questions the use of a unit in a quantitative answer is not always necessary (ie £), but in this answer it was necessary for candidates to identify whether they meant 1 *month*, or 30/31 *days.* An answer of 1 was insufficient for the mark.

Question 5 (c) (iii)

(iii) the amount of stock used in the six-month period from July to December.

..... **[1]**

Fewer candidates, compared with the previous question, correctly calculated the amount of stock used from Fig. 1. However, the majority of candidates still managed to add up all the stock used and come to the correct answer of 150,000 units.

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	AfL	Candidates are required to have a range of quantitative skills for this examination, including the ability to interpret, apply and analyse information in written, graphical and numerical forms. These skills are outlined in Appendix 5, Annex 1 of the specification found at https://www.ocr.org.uk/Images/170837-specification-accredited-a-level-gce-business-h431.pdf.

Question 5 (d)

(d) Analyse **two** possible problems with SLE's approach to stock control, using **Fig. 1** and any other relevant information.

Problem 1 .....

.....

Problem 2 .....

.....

[6]

This was a reasonably well answered question, requiring two problems to be identified using the stock control chart (Fig. 1) or other relevant information. The most common answers focussed on:

- SLE ran out of stock in November.
- One month lead time (OFR based on answer to 5cii).
- Leather is a perishable product.
- Fluctuating demand – reference to Fig 1, ie high demand in August and December but low demand in October.
- Supplier based in Morocco, ie non-EU – taxes, tariffs, distance, standards, etc.

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Question 5 (e)

(e) SLE exports seat covers to a niche car producer in the UK.

Explain **two** ways a rise in the value of the Euro against all currencies might have an impact on a business such as SLE.

1 .....

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2 .....

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[4]

The wording of this question ('a business such as SLE') allowed candidates to approach this answer from SLE's perspective (an EU producer purchasing stock from outside the Eurozone) or from the perspective of a business outside of the Eurozone. Whichever perspective was used, however, needed to be made clear, as the effect of the rise of the value of the Euro against all major currencies is different depending on the location of the business. This led to candidates sometimes giving confused answers.

If candidates took the most common route, which was to base their answer on SLE, then the obvious effects were that exported products will have a higher price for the customer potentially decreasing sales and imported materials will have a lower price; potentially decreasing costs.

Many candidates had obviously been taught SPICED (strong pound imports cheaper, exports dearer) as this was often written in the margin. This concept proved useful to those candidates who used it, but, as SLE was not based in the UK, this again sometimes led to some confusion.

This paper will always be based on a global business and, as such, candidates must be prepared to apply their knowledge to businesses that may be operating outside of the UK.

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Question 6

6* To what extent is BMW's marketing likely to be affected by future changes in the global business environment? Justify your view. **[20]**

The final question gave candidates a great deal of latitude in answering the question. Any potential change in the global business environment was acceptable and the case study had a wealth of material to base this upon. SLEEPT (social, legal, economic, environmental, political and technological) gave a good basis for this, but competition in the market was also a potential area for discussion.

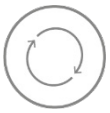
This then had to be analysed as to how it might affect BMW's marketing. Again, this is a huge area of the specification upon which to base their analysis and many candidates took the perfectly reasonable route of looking at the 4 P's (product, price, place and promotion).

Candidates did not need to cover everything and it was reasonable to expect two changes to be applied to two areas of marking to gain all the marks.

Evaluation could also take many forms. Which change would have the biggest effect? Would the changes have a generally positive or negative effect? What would the extent of the effect depend upon? Are the effects longer term or short term?

The key to a good answer on this question was not to cover as many effects as possible, but to focus on the changes which potentially have the biggest effect on BMW. This skill of selectivity is an important aspect of the Business A Level and it is not unreasonable to expect candidates to have to sift through the case study material and to choose which changes and effects they consider having the biggest impact.

A good answer, therefore, was not necessarily lengthy, but had at least two arguments of the effect on BMW's marketing of the changes (including chains of analysis) and multiple attempts at evaluation. Candidates who only attempted evaluation at the end of the response were unlikely to have enough depth to their evaluation to gain all the marks for this skill.

	**AfL**	Evaluation is often considered to be something that can only be shown in a conclusion. However, a good candidate evaluates throughout their answer. One approach to this is to encourage candidates to write 'mini conclusions' at the end of each point or argument that they make. This has the dual benefit of gaining early evaluation marks and keeping an answer on track to actually answering the question.

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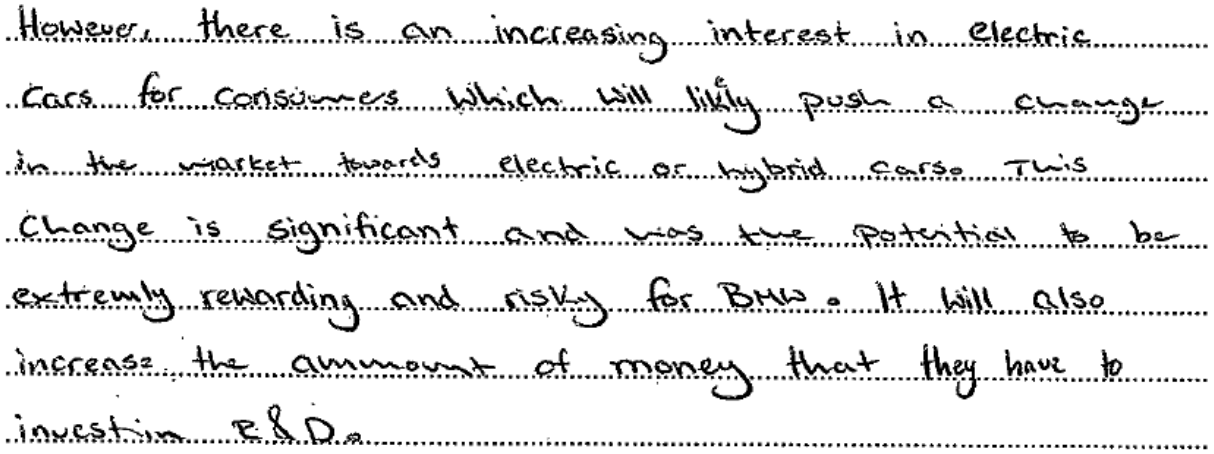
Exemplar 6



This is a good example of a 'mini conclusion' with the candidate having analysed the impact of a potential change and then evaluating the likely significance of this on BMW. It lacks the detail of an overall evaluation, but the candidate is showing their evaluation skills early in their answer and then has the potential to draw of these 'mini conclusions' together for an overall answer to the question later in the response.

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