

A LEVEL

Exemplar Candidate Work

BUSINESS

H431

For first teaching in 2015

H431/03 Summer 2019 examination series

Version 1

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Introduction

These exemplar answers have been chosen from the summer 2019 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 they do illustrate how the mark scheme has been applied.

Please always refer to the specification <https://www.ocr.org.uk/Images/170837-specification-accredited-a-level-gce-business-h431.pdf> 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 2019 Examiners' report or Report to Centres available from Interchange <https://interchange.ocr.org.uk>.

The question paper, mark scheme and any resource booklet(s) will be available on the OCR website from summer 2020. Until then, they are available on OCR Interchange (school exams officers will have a login for this and are able to set up teachers with specific logins – see the following link for further information <https://www.ocr.org.uk/administration/support-and-tools/interchange/managing-user-accounts/>).

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

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

Exemplar 1

4 marks

1 One impact is that R&D costs may rise for BMW because they would have to integrate new tech into their cars to retain market leading position.

2 Fall in unit cost in the long run as better production techniques reduce production time and output rises at the same fixed costs.

[4]

Examiner commentary

The impact in the first point is that R&D (research and development) costs may rise. This gives the first mark for identifying a possible impact on a business. The explanation that follows shows how this will affect a business. This answer does not need to be contextual to BMW (because the questions asks about a business 'such as BMW') but using an example from BMW helps the explanation to be relevant and clear.

The second way is the longer-term view of costs decreasing because of the better production techniques. Although there is not an example, the explanation is clear enough that it is obviously worth both marks.

Exemplar 2

0 marks

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

1 Technology will have an impact on BMW in order to meet demand for the consumer. These changes will ~~mean~~ mean that needs are satisfied.

Examiner commentary

In this first part of a response there is no clear identification of a way technology can impact on a business. The candidate might have meant that incorporating new technology may make a product more desirable – however the examiner can only mark what has been written, not what we think was meant.

Question 2

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

Exemplar 1

2 marks

Crisis management may be important in case ~~the~~ ~~business~~ operations don't succeed as expected. It helps a business to survive in a disaster such as a market crash. Crisis management means a business can [2]
continue to operate when there is uncertainty in the market.

Examiner commentary

Crisis management is distinctly different to contingency planning because it is about dealing with a major issue after it has happened, whereas contingency planning is about working out how a business may respond if something does happen. For many candidates, this distinction was not clear in their answer and this suggests that centres may not be making this clear in their teaching.

This response has a clear understanding that a crisis has happened and that it is important to manage it so that the business can continue to operate.

Although there is no context required in this answer, an example helps the candidate to gain marks by showing that they have a good understanding of what a crisis actually is, in this case a market crash.

Exemplar 2

0 marks

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

- crisis management allows a business to plan for any foreseen potential problems ~~mean~~ so they can have the right measures in place. [2]

Examiner commentary

This is a common type of response where the candidate has mistaken crisis management for contingency planning. The whole point of crisis management is to handle an unforeseen issue, not to plan for a potential problem.

Candidate must be specific in their understanding of key terms such as 'crisis management' and teachers must make sure that they explain each term and the, sometimes nuanced, differences between them.

Question 3

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

Exemplar 1

6 marks

One benefit to BMW of employees all being over 50 and given jobs where they were previously unemployed is that the workforce would be more loyal to BMW and therefore labour turnover and absenteeism would be low. Therefore the cost of training and potential short term fall in output will be reduced and thus BMW should experience a fall in unit labour costs as well as reliable output from the Dingolfing factory. A fall in unit labour costs and long term training costs will mean that BMW save money on their variable costs and thus the gross profit margin should increase that should increase operating profit also.

Examiner commentary

Workforce planning is about designing your workforce – or the skills required in your workforce – to meet the needs of the organisation. To gain any marks in this question, this basic knowledge needed to be shown. However, often, it was not either implicit or explicit in candidates' responses.

In this response the candidate knowledge is not strongly demonstrated, but there is evidence that the candidate is talking about workforce planning. Phrases such as 'given jobs' suggests recruitment and the idea that this workforce is being specifically planned to increase loyalty and reduce labour turnover and absenteeism, suggests that a planning process has taken place. Once the examiner is clear that the candidate has a knowledge of workforce planning then marks can be awarded for application and analysis.

In this case the analysis starts by stating that there may be an effect on absenteeism and labour turnover and, importantly, is then developed into a chain of analysis by showing that this will affect the business by reducing training costs. These 'business facing' effects are what analysis is all about and the key to developing arguments in analytical and evaluative questions.

The length of this chain of analysis is important because it enables the candidate to show a strong analysis and gain all six marks for this question.

Exemplar 2

0 marks

one benefit would be an increased motivation of employees. This is because they have planned it to make the older employees more comfortable 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 ~~the~~ more profit for BMW.

Examiner commentary

Some candidates failed to show any knowledge or understanding of workforce planning which left what could have been good chains of analysis at zero marks.

The response above is a good example of a candidate who may have known what workforce planning actually is but failed to demonstrate this.

BMW have not done workforce planning to 'make the older employees more comfortable'; the workforce plan was to employ more older workers. This may seem semantic, but as workforce planning is a specific specification term, with a specific meaning, we cannot accept answers which do not clearly show an understanding of this term. In essence this response is analysing the benefit to BMW of the motivation techniques employed by BMW, not their workforce plan.

Question 4

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

[20]

Exemplar 1

20 marks

- + production line
- + delivery
- + customs challenges

4

Evaluate the importance of logistics to BMW's operations.

[20]

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.

Logistics is very important to BMW because all car production lines operate a just-in-time system where required parts are not held in large amounts of stock and stock arrives just when needed. Because of this logistics are very important to BMW because it is essential for production lines to have sufficient stock so that production doesn't experience any down-time and output remains constant so consumer demand is met.

In the short run logistics are of utmost importance because if production lines stopped and output fell then BMW would still be inclined to pay all fixed costs including salaries and so BMW's profitability would be damaged. In the long run a prolonged period of downtime could lead to higher labour turnover which could reduce the capacity of BMW's production line and so operations could be forced to close that factory if it is no longer profitable.

Logistics is also very important to BMW because once produced, cars must be quickly distributed to customers to maximise consumer satisfaction. Poor logistical planning at BMW could lead to an excessive amount of stock at the end of the production line that is reducing the amount of cars the factory can produce as they have nowhere to store them once complete and thus operations at BMW may not be able to produce at full capacity which would reduce BMW output thus growth in sales would not be able to grow at its full potential.

In the short run a failure to quickly and efficiently deliver cars to customers may cause operations at the dealers of BMW to experience a damage to their reputation which may harm future demand for BMW cars which would limit growth in BMW operations (production). In the long run though poor delivery logistics could mean that some BMW dealers worldwide would go out of business as the damaged reputation of service leads to a fall in demand and so some dealers may cease to operate at all.

Logistics is not very important to BMW because in some cases production lines and support centres are located in close relatively close range of each other and so the complexity of transporting parts from Mumbai to the production line in Chennai is low because there are no ~~customers~~ customs regulations to contend with. In this case the production line is unlikely to experience down-time because all necessary parts are available nearby and so

operations wouldn't halt due to a lack of parts to produce the cars.

However parts to make the complete car come from many locations worldwide and so in the short run operations could be halted by customs regulations meaning that parts were delayed to the production line and so output fell for a period of time. However in the long run BMW could use a buffer stock system so that delays at the border were anticipated and so supplies got to the production line when needed so production didn't stop.

Overall I think logistics is very important to BMW because it is essential to operate and manage a global supply chain so that the least amount of production downtime is experienced. In the short run logistics will help operations at BMW to run as efficiently as possible with the least amount of supplies held to reduce storage costs. In the long run logistics will enable BMW operations to offer a flawless consumer experience that will improve their brand image.

Examiner commentary

A 20 mark question requires all four assessment objectives to be addressed to gain full marks. In this question there are two knowledge marks, four application marks, six application marks and eight evaluation marks.

Knowledge does not necessarily need to be in the form of a definition, but many candidates choose to get these marks early in their response. By doing so, they 'set out the goalposts' for their response and make it clear they are aware of the term. By giving an early definition or explanation, a candidate can refer back to this in their later evaluation to show that they have provided an answer to the actual question set.

The response above does include an early definition and, as such, gains both knowledge marks early on. For candidates who do not choose this structure, knowledge marks are often implied through their use of the data and their analysis.

Application marks are gained through use of the context given in the resource booklet. This does not mean that the case study is quoted, but that the answer specifically relates to BMW and could not be thought of as a generic answer. In examination meetings,

examiners sometimes talk about a 'Tesco' answer. By this we mean it is an answer which could equally apply to Tesco as it could to, in this case, BMW. Because there are four application marks available for this question, there should be (at least) four occasions where case material is used in this way. In an ideal world these uses of the case material should not be dropped into a response but fully integrated into an answer.

Analysis marks are separated into basic analysis, which can then become developed analysis if it becomes a chain of effects/impacts or consequences. The analysis must be focussed on the business or stakeholder concerned – in this case it is BMW. A good example of developed analysis is found in the second paragraph. The chain starts when the candidate states that 'stock arrives just when it is needed...to have sufficient stock'. This is basic analysis because it shows an effect of logistics on BMW. If the candidate had remained at this level of analysis then only basic analysis marks could be awarded. However, the candidate goes on to continue the chain of analysis by stating '...so that production doesn't experience any downtime and output remains constant, so consumer demand is met'. The last link in the chain is the effect on consumer demand which pushes this to developed analysis. It would have been even better if the candidate had made explicit the link to sales and profit for BMW, but this is enough because it is a clear impact on the business.

Good candidates will make sure that each of their arguments includes the correct terminology (used in the correct way, to gain knowledge marks), application to the case study/business and a chain of analysis. A minimum of two arguments need to be used in this way to gain all of the analysis marks.

Evaluation is, in essence, the ability to answer the question set by the examiner. IN this case how important is logistics to BMW's operations. Obviously, this is not a simple judgement, but requires the given arguments to be weighed up. Some candidates can do this at the very end of a response (in a conclusion for example), but when this happens candidates rarely give enough detail to gain full evaluation marks. It is usually better to also give 'mini-conclusions' after each argument, showing the extent to which, each argument answers the question. This then leaves the conclusion for an overall judgement.

This candidate has done just that, and their first piece of evaluation occurs in the third paragraph. The comparison between the short run and long run is often a good route into evaluation, weighing up the level of importance based on time. This is not always the most appropriate route into evaluation, but in this case it is effective.

The candidate brings their answer to an overall conclusion at the end of the response with a judgement. Without the mini-conclusions this would have less weight to it but based on the arguments presented and the evaluation after each argument this is enough to gain all of the marks for this response.

Exemplar 2

0 marks

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 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 performing better in the market compared to others.

On the other hand logistics may not be important to BMW's operations since, BMW are already a developed premium brand which means that the logistics will be a slow success in sales figures for most of BMW's products. This means that using logistics it will be difficult to pick out which part of the operating process can be improved upon.

Examiner commentary

This question showed up a gap in many candidate's knowledge. Logistics is a specific topic that requires a specific bank of knowledge to answer the question. This candidate has not shown any explicit knowledge of logistics and therefore cannot be rewarded any marks at all. Without knowledge, application, analysis and evaluation marks are not rewardable.

In this response logistics might lead to a business being able to manage their product portfolio better (through stock level analysis, for example) but since the candidate has shown no knowledge of logistics, none of this potential analysis can be rewarded. The candidate could be discussing market research and as such the response cannot gain any marks.

Exemplar 3

6 marks

4

Specialisation

tariffs
quotas

density

Evaluate the importance of logistics to BMW's operations.

[20]

Logistics is of great importance to BMW as depending on the market product is sold in different ways, in more densely populated markets BMW manufacture produce facilities in these areas to ensure the supply reaches the expectations of demand, ensuring customers always have product available

When operating in smaller markets, issues surrounding trade barriers may exist, causing BMW to raise prices to pay tariffs or enter the market may have to ^{avoid} ~~enter~~ the market due to issues such as quotas, which limit the number of ^{cars} ~~goods~~ being imported into a specific country. To avoid this issue BMW package cars into a bit to prevent tariff fees and the cars are produced in the country they are shipped into minimising the businesses costs.

~~Specialisation in that BMW stock control measures could also~~

~~Effect the~~
 Logisti. Logistics is ~~the~~ essential to BMW's operation to establish the
 company as a global brand by offering their products in a wider range of
 countries. Should increase market share, depending on the wealth of the country.

When operating in single markets such as the EU, BMW doesn't have any
 issues surrounding trade barriers having to comply ~~to~~ different trading
 standards as cars can be imported and exported with the same regulations
 in all areas of the EU. ~~They~~ having to spend less on market research by
 complying to trading legis ~~multi-differing~~ trading regulations in different
 countries there is only one specific set of rules ~~to~~ BMW have to
 adhere to minimising the costs of the business.

Logistics is needed in BMW's operations to ensure sales, in developing
 countries there is a steady increase in demand for luxury ^{cars} ~~goods~~, so
 BMW need to cater to consumers demands to make the ^{cars} ~~products~~ available in
 as many regions as possible, before competition gain ^{brand} ~~to~~ consumer loyalty
 and market share into other countries. To prevent competition BMW need
 efficient logistics to ensure sales, if there was inefficient logistics the
~~the~~ manufacturing times and stock control times would ~~also~~ causing productivity
 to decrease as materials aren't provided to workers on time preventing employees
 from being as productive as anticipated.

Just-in-time stock control requires a ~~large~~ an efficient ~~two~~ logistics, as
 if product delivery times are too long then the ^{employees} ~~employees~~ ~~would~~ cannot meet
 their objectives ~~with~~ as expected, potentially decreasing the output in manufacturing
 facilities causing the business to lose sales revenue and a decrease in profits
 causing workers to become de-motivated.

Examiner commentary

This candidate has shown good knowledge of logistics, some application to BMW, but their analysis is basic and there is no attempt to evaluate.

The third paragraph has some of this basic analysis. The candidate has identified that BMW matches their products to smaller markets (Extract D) and this reduces the costs of meeting regulations. This is a clear impact on BMW, but there is no chain of analysis. If the candidate had taken this further to show that lower costs enables BMW to keep their prices competitive leading to increased sales, then the point would have gained developed analysis marks.

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.

Exemplar 1

2 marks

$$\frac{0.2}{3.55} \times 100 = 5.6\%$$

Answer 5.6% [2]

Examiner commentary

This question required knowledge of how to calculate market share and then use of the figures in Table 1. This candidate has identified the correct figures and used them in the formula for market share.

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.

Exemplar 1

3 marks

$$\frac{2.53}{0.23} = \text{€}11 \text{ variable cost per unit.}$$

$$\frac{12.65}{0.23} = \text{€}55 \text{ selling price per unit.}$$

$$\cancel{55 - 11 = 44} \quad \cancel{\text{€}44}$$

$$26 - 11 = 15 \quad 15 \times 1500 = 22500$$

Answer $\text{€}22500$ [3]

Examiner commentary

The question required candidates to understand what contribution is, and how it is calculated. Many candidates could manage one or more stages on their way to calculating this figure, but it was rarer to find a candidate who managed the whole calculation.

There were many ways to calculate this answer and this candidate has calculated the individual contribution from the sale of one seat cover and multiplied by the number of potential seat covers in the order.

Exemplar 2

1 mark

$$1500 \times 26 = 39000$$

$$\frac{12.65}{0.23} - \frac{2.53}{0.23} = \text{€}5 \text{ per unit}$$

$$26 - 5 = \text{Ans.} \times 1500$$

$$= 31500$$

Answer $\text{€}31500$ [3]

Examiner commentary

This candidate has tried to calculate the contribution but has made a mistake in their understanding of the formula. However, because they have made their stages clear a mark can be given for the calculation of the total revenue from the order and one mark can be awarded. Candidate should always set out their answer in stages and make each stage as clear as possible so that marks can be awarded for correct stages even if the overall answer is incorrect.

Question 5(b)(ii)

(ii) Should SLE accept this order? Justify your decision.

[10]

Exemplar 1

10 marks

Total contribution is the amount of money an order contributes to the fixed costs of SLE.

SLE should accept this order because even though the offered price of €26 per unit is lower than the original selling price, the price still covers all variable costs and contributes €22500 to the fixed costs of SLE. Therefore this order is not loss-making for SLE and therefore they should accept it. It may also be the case that this order could lead to many further orders where prices could be negotiated higher and therefore in the long run SLE may gain a reliable customer of BMW that can lead to more orders from other sections of the BMW production process.

However SLE should not accept this order if it comes at an opportunity cost of not being able to complete an order of an existing customer. In the short run if SLE is producing at full capacity and has to choose between this order and one from an existing customer then SLE should be loyal to the existing customer to ensure that they keep their repeat custom. In the

long run SLE could face a fall in revenue as BMW's order is a relatively small order compared to existing orders and revenue that they earn from those.

Overall I think that SLE should accept the order because if successful the order has potential to earn SLE much bigger orders from the whole BMW range. In the short term this may mean investing in increasing the productive capacity of SLE ^{but} ~~and~~ in the long run the extra capacity will allow much higher revenue.

Examiner commentary

Questions which require a recommendation or judgement are common on this examination and require candidates to bring together arguments from different sources to come to the answer. There is no correct answer and candidates can be rewarded for a judgement either way, depending on the arguments presented.

This candidate has started by using their answer to the previous question. This is always likely to be a good starting place for a candidate, even if they do not have much confidence in their calculation. Whatever answer has been provided to a previous numeric question (5bi for example) will be accepted as correct in a subsequent question. This is the 'own figure rule' and states that a candidate cannot be penalised twice for a mistake. Therefore, whatever answer has been given to Q5bi, if it is used here it will gain application marks and can be used to build up an analytical chain as part of the answer to this question.

The candidate has stated that the calculated contribution is 'no loss making for SLE' which is a piece of basic analysis. Sadly, this impact is not developed into a chain of analysis, but later in the paragraph the candidate makes another analytical statement ('could lead to many further orders') and this is developed into SLE gaining a reliable customer. This chain of analysis also contains evaluation because it is weighed up as a short term versus long term effect.

The next paragraph then looks at capacity as an argument in terms of SLE not being able to meet other customers orders if they accept BMW's order. Again, this is developed into a chain of analysis with some evaluation as well.

The candidate has presented an argument on either side and then comes to an overall conclusion that SLE should accept the order and weighs up their arguments to justify this judgement. An excellent answer that ticks all the boxes.

Exemplar 2

3 marks

SLE should accept this order. By accepting this order it would help bring SLE towards one of its long term goals for being able to supply directly to BMW. As we said "he hopes to get a major contract with BMW." This is because the business agent works for BMW's niche sports car factory."

.....~~If the best~~ The business may decide to focus mainly
.....on quality, therefore, for this particular agent,
.....knowing its going to be used by BMW. If BMW
.....approve, they would return for a repeat purchase which
.....could lead to ~~several~~ ~~not~~ sticking deals with the
.....business which could result in an accomplished
.....goal of

Examiner commentary

This answer starts with the judgement, but as there has not been any knowledge or application shown yet, this can not be rewarded. If the candidate does justify this in some way then the examiner can come back to this statement and reward it, but in this case there is not enough to reward this as evaluation.

There is knowledge of a reason a business might accept an order such as this (to meet a goal), some use of the case material and some basic analysis towards the end of the response (return for a repeat purchase), but this is not developed into a chain of analysis. Mentioning that it may meet their goal is not enough.

This response is typical of a candidate who is unlikely to have been taught how to build up a two-sided argument in response to a question like this.

A good approach is always to argue one side, then the other and only then to come to a justified judgement.

Question 5(c)

(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

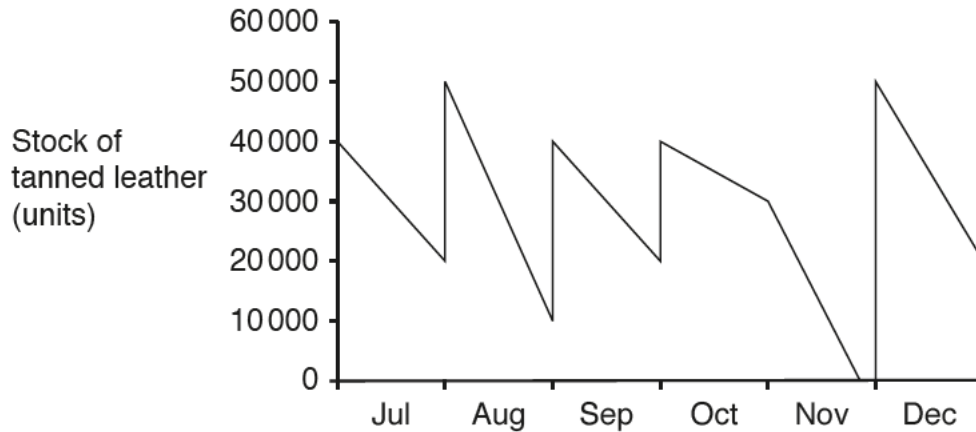


Fig. 1

Using Fig. 1, identify:

- (i) the number of times any buffer stock was used
- (ii) the lead time
- (iii) the amount of stock used in the six-month period from July to December.

Exemplar 1

3 marks

- (i) the number of times any buffer stock was used
..... 2 [1]
- (ii) the lead time
..... 1 month [1]
- (iii) the amount of stock used in the six-month period from July to December.
..... 150 000 [1]

Examiner commentary

These questions required candidates to use the stock control chart in Fig 1. Most candidates could read off the appropriate figures, although some candidates obviously had little experience with using stock control charts.

Question 5(d)

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

Exemplar 1

6 marks

Problem 1 One problem is that for a short period they had no stock in at all. This is problematic as at the back end of November they had 0 stock. This means that if they were to get an order they would not be able to complete it. This then reflects badly on the business as they look unreliable and then rival suppliers may take the orders?

Problem 2 Another problem is they do not always re order at the same level or reorder enough stock, this then leads to them having to go into the buffer stock or having alot left over. Having 20,000 left over a few months is ok as its for crisis but some months it was 30,000. This would have alot of cost implications as it shows not only are their not enough orders but also that there will be more unit costs of storing the product.

Examiner commentary

This question required candidates to use the information in the stock control chart to identify potential problems and analyse the effect these could have on SLE. There were many issues that candidates could have chosen to use, some easier to analyse than others. One of the most important skills for any Business A Level candidate to possess, is the ability to identify the points that they feel they can best analyse.

This candidate has chosen to start with the issue of a stock-outage. This is applied to November and then a simple piece of analysis that SLE would not be able to complete further orders.

The second point about having too much stock in some months. Again, this applied and then analysed in terms of the cost of holding this stock for SLE.

Exemplar 2

4 marks

Problem 1 They will have to store a large amount of leather at any given time, which will cost large amounts of money, this is due to the increased storage space needed to hold these leathers which will cost money to rent^{ing} or own^{ing} the area they are kept ~~in~~ ^{will} adding to ^{fixed} SK's costs.

Examiner commentary

This is an example of a problem that has some knowledge but no application. Analysis marks cannot be awarded without application so if the candidate does not apply their response to the given data then only knowledge can be awarded.

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.

Exemplar 1

4 marks

- 1 SLE will be able to import the leather from Morocco cheaper and so unit cost falls for their seat covers. which means SLE could become more profitable
- 2 Exports to the UK become more expensive for the niche manufacturer who may be less able to demand the seat covers due to rise in costs. Therefore SLE may see sales in the UK fall.

[4]

Examiner commentary

This question proved to be difficult for many candidates because it required a good understanding of exchange rates and to be able to apply this to SLE.

Although there were many possible responses, depending which perspective a candidate took, the most obvious route was to identify that imports would be cheaper for SLE and exports would be more expensive. Many candidates jotted down 'SPICED' in the margin of their answer which a common way to teach this topic. It stands for Strong Pound Imports Cheaper, Exports Dearer. This simple, but effective mnemonic allowed candidates to see the likely effects of this currency change.

Exemplar 2

0 marks

- 1 If there is a rise in the value of the Euro it means that SLE are going to be making ^{less} money as they are going to be getting ^{less} for the ~~increased~~ value of the Euro compared to other currency. This would mean less profit.
- 2 It could result in SLE ~~also~~ getting bigger demands from customers as they are going to be getting more for less. They will be getting a larger amount for less money as the Euro is worth more.

[4]

Examiner commentary

This is an example of a candidate who has some knowledge of how exchange rates operate, but they have got it the wrong way round.

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]

Exemplar 1

20 marks

competition
America?
14

CSR.
Social media.

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

Marketing at BMW is the promotional side of its products appealing to consumers to hopefully stimulate demand. This comes in the form of TV advertisements and online promotion.

The biggest way ~~one way~~ marketing at BMW is likely to be impacted by changes in the global business environment is the rise in corporate social responsibility and taking care of the environment. This may change the approach that BMW takes to marketing and switching away from demonstrating the power of the big engines to showing the benefits of owning a BMW on the environment. This may call for large marketing campaigns to change the public perception of BMW so that consumers feel morally content with buying a BMW.

However marketers at BMW may feel in the short run that BMW's approach to marketing need not change because consumers do not have the intention of buying a BMW to morally please themselves but instead BMW's are bought to show prestige and is something that won't change in the short run. However in the long run

BMW will have to be conscious of environmental impact to avoid bad publicity and damage the brand's reputation.

The second biggest impact on marketing at BMW is that the platforms on which advertising is most effective is changing. Previously BMW focused on the highest quality TV advertisements to promote their ~~product~~^{cars} however with consumers now spending more time on their phones than watching TV it means that most advertising should be done on social media to appeal to the masses and maximise the ~~effectively~~ effectiveness of the advertising and so high investment into social media advertising is likely to be necessary to stay relevant with modern-day consumers.

However this depends upon the target customers that BMW wish to appeal to. With BMW wanting to appeal to high-income individuals who ~~are~~ tend to be slightly older and more senior then it is likely that in the short run TV advertising would be most effective because that is how they would still receive information. In the long run with lots of business being done online rather than in person then advertising would be more effective online and so marketers at BMW would have to focus more on short, sharp ads that would grab the attention of the modern man or woman.

BMW is likely to be faced with higher amounts of competition in the future due to globalisation making it easy to transport goods worldwide. Therefore BMW will not have to compete with American car firms

for example and therefore there will be a bigger emphasis on marketing to stimulate demand because consumers now have more choice. This will mean that marketing at BMW will have to promote the cars with longer, more intense marketing campaigns to ensure that BMW remains relevant in the long run against new competition from global car firms.

However BMW attempts to operate in a niche market of high exclusivity that cannot be matched. In this case BMW attempts to not compete (in the short run) with regular car producers so an increase in general competition should require a huge reaction by marketing at BMW and so they won't be affected much in the short run. In the long run though to maximise revenue BMW must have cars that are accessible by the mass market and so to break into ~~marketing~~ markets that are dominated by low-cost brands like Kia - BMW will have to market intensely to gain any market share.

Overall I think marketing at BMW will be affected by future changes in the business environment because ~~with~~ BMW must advertise to remain a market leader to retain market share. In the short run this won't cause much work for marketers as they rely on the existing brand image but in the long run they will be largely affected as they will have to compete with more brands as it is easier now to advertise on social media for everyone.

Examiner commentary

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 marketing 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 more long-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.

This response is evaluative throughout and ranks the impacts as each is discussed. This evaluative approach is refreshing to read and shows that the candidate has thought about their entire answer, not just individual arguments.

The first full paragraph on the second page is a good example of knowledge, which is then applied and developed into a chain of analysis at the end of the paragraph.

The following paragraph is then an evaluation of the relevant impact of this point to evaluate its importance.

The conclusion at the end brings all the previous analysis and evaluation together into a judgement about the extent of the effect. It is always worth bringing an answer back to the original question in the conclusion to make sure an answer had been given.

Exemplar 2

12 marks

As BMW is company based in Germany, it is currently facing the challenges of Brexit, the notion of ~~the~~ UK leaving the European Union. This can cause impacts of BMW's Marketing.

~~The impact is the distribution network~~
~~as in:~~

Place of the marketing mix ~~then~~ faces a major impact. Undoubtedly UK is also a consumer of the BMW's cars and motorbikes, ~~as~~ inferred from line ~~to~~ ~~assert~~ 'increased demand in Europe' this means that when IF Brexit happens then their will be ~~import~~ impact/export taxation that BMW may incur. This increase in taxation will increase cost which can lead to increase in price, that may discourage consumers to

buy less hence reduces revenue which can lead to decrease in profits. This is a major impact on the place of the marketing mix.

Promotion also faces a impact due to ~~stat~~ change in the global business environment. As said in line 65 'television commercial and print media' is a method of promotion. due to a change in the recent year of consumer preference, print media is being consumed less by the general public as it's more convenient to get information online, this creates a negative impact for BMW as capital is being invested in to a form of advertisement but it's being consumed less hence reaching ~~more~~ ^{less people} to make them aware of their brand. This creates ~~issue~~ such as ~~can~~ loss of profits as revenue is spent elsewhere also there may be a opportunity cost, that money could have been spent to improve the current company through research and development. For example

Price Also has a major impact associated with changes in the global business environment. For instance change in exchange rates can lead to higher import/export rates which drive up the price of products. ~~also~~ Furthermore in extract E it states that BMW are for the 'Want market' (A market for consumers with high disposable income) however if there is a regulation for the use of only electric cars for the future by BMW charging high it creates a negative impact

on "the" brand image as it show they show lack for the environment. which drives sales down.

Product ~~less likely~~ to face changes as well. With the raise of eco friendly (Electric vehicles) the car and motorbikes will have to change over time to be ^{more} ~~more~~ sustainable, this mean that investment have to be made by BMW for Research and development to provide the same ~~allthensicity~~ ^{attractiveness} to the consumer. it's is a short term ~~lost~~ for a long term environmental and profit benefits.

Examiner commentary

This is a mid-level answer which gained 12 marks. The candidate has shown good knowledge, good application and developed their analysis of the arguments used. However, there is no evaluation in the answer. Evaluation makes up eight of the marks for this question and as such, no matter how good the points made are, the answer can only gain a maximum of 12 marks.

There are many missed opportunities to evaluate in this answer. The candidate has chosen to go through each of the four P's as a structure to their answer. This was a fairly standard approach and could have gained full marks. However, the extent to which each of these elements is likely to be affected by the future changes in the global business environment has not been considered.

The candidate's response would have been greatly enhanced if they had evaluated the likeliness of the effect happening on each of the P's and then brought this together at the end to make a judgement over which P would be most likely to be affected.

The skill of evaluation is often thought of as the 'top end' skill that differentiates between those candidates who gain the top grades and those who gain mid grades.

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