



GCE MARKING SCHEME

BUSINESS STUDIES AS/Advanced

JANUARY 2014

INTRODUCTION

The marking schemes which follow were those used by WJEC for the January 2014 examination in GCE BUSINESS STUDIES. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conferences was to ensure that the marking schemes were interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

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Business Studies - BS1

Question	Answer	Mark allocation	Assessment objective
1 (a)	<p>Identify two aims of a private sector organisation</p> <p>1 mark for each correct aim identified.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Profit maximisation/ make a profit • Sales revenue maximisation • Increase shareholder value • Survival • Market share • Growth/Expansion 	2	AO1 2
(b)	<p>Explain how the aims of a <u>public sector</u> organisation may differ from those of a <u>private sector</u> organisation?</p> <p>1 mark for each correct 'difference' identified (max 2)</p> <p>Up to 2 additional marks for development.</p> <p>Indicative content:</p> <p>Public Sector</p> <ul style="list-style-type: none"> • Provide a universal service to all UK households wherever they are located. • Provide a service which the private sector may not be willing to provide as it may not be profitable to do so. • To make a trading surplus if possible. • Provision of merit goods to raise society's standard of living. • To ensure effective provision of public goods. 	4	AO1 2 AO2 2
(c)	<p>How might consumers be affected by the proposed removal of Royal Mail's monopoly?</p> <p>Level 1 The Candidates briefly identifies one or two effects on consumers.</p> <p>Level 2 The candidate explains how consumers will be affected.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • May be greater choice of provider. • Increased competition may force prices down. • Greater efficiency may result as a result of competition. • Isolated or non-profitable inaccessible locations may be denied a service. • Prices may rise, Royal Mail's economies of scale may not apply. 	<p>4</p> <p>1-2</p> <p>3-4</p>	AO1 1 AO2 2 AO3 1

Question	Answer	Mark allocation	Assessment objective
2 (a)	<p>Explain how Shaun Pulfry is a typical example of an entrepreneur?</p> <p>Level 1 Candidate identifies one or two characteristics</p> <p>Level 2 Candidate attempts to explain how Shaun Pulfry demonstrates the key characteristics of an entrepreneur.</p> <p>Level 3 Candidate fully explains how Shaun Pulfry demonstrates the key characteristics of an entrepreneur.</p> <p>Indicative content:</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • Innovative – invented the Tangle Teezer to resolve a problem he identified. • Risk taker – Re mortgaged his flat to raise money needed to start production. • Determined – did not let rejection by Dragons deter him from his belief in the potential of the business. • Organises other factors of production – marketing, sales, production staff etc. 	<p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 2 AO2 3 AO3 1</p>

Question	Answer	Mark allocation	Assessment objective
2 (b) (i)	<p>Define the term internal economies of scale.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • The cost reductions enjoyed by a single firm (x1) as it grows (x 1) 	2	AO1 2
2 (b) (ii)	<p>Explain how Shaun Pulfrey’s business may have benefited from internal economies of scale.</p> <p>Level 1 Candidate identifies one or two economies of scale that are relevant.</p> <p>Level 2 Candidate attempts to analyse possible internal economies of scale that Shaun Pulfrey’s might have taken advantage of as the business grew.</p> <p>Level 3 Candidate fully analyses two internal economies of scale that Shaun Pulfrey might have taken advantage of as the business grew.</p> <p>Indicative content:</p> <p>Possible responses may include an analysis of any of the following applied to Pulfrey’s business:</p> <ul style="list-style-type: none"> • Marketing economies • Purchasing economies • Managerial economies • Financial economies • Risk bearing economies • Technological economies 	<p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p>

Question	Answer	Mark allocation	Assessment objective
2 (c) (i)	<p>What is meant by the term marketing?</p> <p>1 mark for partial definition. 2 marks for correct definition.</p> <p>Indicative content:</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • The management process involved in identifying, anticipating and satisfying consumer requirements profitably. (x2) • The management process of getting the right product, to the right place at the right price and at the right time. (x2) 	2	AO1 2
(ii)	<p>The main reason for Shaun Pulfrey’s success with Tangle Teezer, has been his ability to identify and anticipate customer’s needs and wants. Discuss.</p> <p>Level 1 Candidate briefly outlines one or two relevant issues.</p> <p>Level 2 Candidate explains one or more relevant issues and may attempt some evaluation.</p> <p>Level 3 Candidate fully evaluates the viewpoint.</p> <p>Possible responses may include:</p> <p>Shaun has met his customers’ needs and wants in a number of ways:</p> <ul style="list-style-type: none"> • The product is clearly effective at carrying out its function – the fact that it now has established global sales clearly indicates that it meets customer requirements. Four years to develop. • Anticipated what the customers required. Would not have lasted this long if it did not perform well. • Stocked in salons and major retail chemist chain – sold in those places where the customer wishes to buy it. • The employment of experienced sales/marketing staff also helped to identify what was needed by the customers. • Pricing the product in relation to what customers were prepared to pay. • Effectively marketed on-line to meet customer requirements. • Many businesses may identify needs/wants but do they have a strong entrepreneurial leader to drive the business. 	6 1-2 3-4 5-6	AO3 2 AO4 4

Question		Answer	Mark allocation	Assessment objective
3	(a)	<p>Explain one advantage and one disadvantage to Emma of borrowing £30000 from the bank.</p> <p>1 mark for each correct advantage and disadvantage identified. (max 2)</p> <p>Up to 2 additional marks development</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • You get the money immediately and you can get on with setting up the business. • You have to pay interest on the loan. • You may have to provide security to attain the loan. • If a sole trader she risks all her personal possessions if she takes out a loan. • Does not have to sacrifice any equity which she would have to with other sources. 	4	AO1 1 AO2 2 AO3 1
	(b)	<p>Explain how the use of technology may have helped Emma in making her business more successful.</p> <p>Up to 2 marks for identifying how technology has helped Emma.</p> <p>Further 2 marks for development.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Has an on-line platform and web presence – helps promote the business and gives the business a national and global profile. Can take orders online. E-commerce. • Eight headed embroidery machine – could not run the business without it. Latest, up to date machinery gives the business an advantage over competitors and speeds up production. Also improves quality. 	4	AO1 1 AO2 2 AO3 1

Question		Answer	Mark allocation	Assessment objective
3	(c)	<p>Assess the view that having a business plan will guarantee the success of a start-up business such as Uniform2Go.</p> <p>Level 1 Candidate briefly outlines benefits of constructing a business plan.</p> <p>The candidate organises information and presents simple ideas in a clear manner using some appropriate terminology. Errors in grammar, punctuation and spelling may be noticeable and intrusive suggesting weaknesses in these areas.</p> <p>Level 2 Candidate explains why a well constructed business plan helps start up businesses to succeed and may attempt some basic evaluation.</p> <p>The candidate can organise relevant information and express moderately complex ideas clearly in a coherent manner. There is good use of specialist terminology. Occasional errors in grammar, punctuation and spelling occur but they are not sufficient to suggest a weakness in these areas.</p> <p>Level 3 Candidate fully evaluates the view point.</p> <p>The candidate can organise effectively relevant information and express complex ideas extremely clearly and fluently. There is very good use of specialist terminology. There are few, if any, errors of grammar, punctuation and spelling.</p> <p>Indicative content:</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • Entrepreneurs have to look at all key aspects of their future business and not just focus on the product or service, to the detriment of aspects such as staffing or finance. Drawing up a well-constructed business plan forces them to do this. 	<p>10</p> <p>1-3</p> <p>4-7</p> <p>8-10</p>	<p>AO2 3</p> <p>AO3 1</p> <p>AO4 6</p>

Question	Answer	Mark allocation	Assessment objective
	<ul style="list-style-type: none"> • Banks are unlikely to lend money to start ups unless they are convinced that they are creditworthy and will not have cash flow problems in the future. A well-constructed business plan may well help to persuade a bank manager to lend an entrepreneur money. • The plan is also useful when the business is in operation as it can be used as a monitoring tool. Actual figures can be compared with the forecasts and steps can be taken to overcome problems before they occur. <p>However:</p> <ul style="list-style-type: none"> • Many business plans are not comprehensive enough and have been poorly researched. • A common fault with business plans is that they are unrealistic – they often have over optimistic forecasts in relation to turnover, costs and profit. • For very simple businesses, which may be small or operated on a part-time basis a business plan may not really be important; for example, a one person window cleaner or a plumber who gets all his or her work through recommendation. <p>In conclusion it is fair to say that constructing an effective business plan will make success more likely, allowing the owner to align the goals of the business with its operations. It will considerably reduce the risk of failure BUT nothing can guarantee success. Exogenous shocks can occur which no business plan could have predicted and may cause the business to fail.</p>		

Business Studies - BS2

Question	Answer	Mark allocation	Assessment objective
1 (a) (i)	<p>What is meant by <i>benchmarking</i>? Imitating the standards of an established leader (1) in quality and attempting to better them (1). Setting competitive performance standards(1) against which performance can be measured (1).</p>	2	AO1 2
(ii)	<p>How would the Human Resources Department carry out a <i>benchmarking</i> exercise?</p> <p>Level 1 Candidate identifies one or two steps HR might have taken when carrying out the benchmarking exercise. Level 2 Candidate fully summarises what steps HR might have taken when carrying out the benchmarking exercise. Possible responses may include:</p> <ul style="list-style-type: none"> • <u>Identify what HR intends to benchmark</u> – for example, in this case focusing on motivational issues. • <u>Choose a company</u> (or companies) to set the benchmark against – ask customers or trade journalists: visit other manufacturers that are doing well. • <u>Gather information</u> from a variety of sources – trade association reports, customers, suppliers, Internet – <u>and analyse it.</u> • Use the information and <u>implement the findings.</u> This will require funding and monitoring. 	<p align="center">4</p> <p align="center">1-2</p> <p align="center">3-4</p>	AO1 2 AO2 2
1 (b)	<p>What are <i>quality circles</i> and how might they benefit Benton and Son?</p> <p>Level 1 Candidate describes what is meant by quality circles. Level 2 Candidate describes what is meant by quality circles and attempts to analyse how they might benefit Benton’s and Son. Level 3 Candidate describes what is meant by quality circles and fully analyses how they might benefit Benton’s and Son. Possible responses may include:</p> <ul style="list-style-type: none"> • A quality circle is a discussion group which meets regularly to identify quality problems, consider alternative solutions and recommend a suitable outcome to management. Members are drawn from different parts of the business. • They may improve current practices within the business ideas that will save the company money or improve sales. Motivates workers by involving them directly in improving the nature of the work they are doing. • May reduce labour turnover. 	<p align="center">6</p> <p align="center">1-2</p> <p align="center">3-4</p> <p align="center">5-6</p>	AO1 2 AO2 2 AO3 2

Question	Answer	Mark allocation	Assessment objective
1 (c)	<p>To what extent did you agree that John Benton’s autocratic management style is likely to have a negative impact on the business?</p> <p>Level 1 Candidate briefly describes one or two characteristics of an autocratic approach.</p> <p>Level 2 Candidate attempts to explain the possible negative impact that such an approach might have on the business. May attempt some evaluation.</p> <p>Level 3 Candidate fully evaluates the view that John Benton’s autocratic management style is likely to have a negative impact on the business?</p> <ul style="list-style-type: none"> • An autocratic leadership style is one where the manager sets objectives, allocates tasks and insists on obedience. • The workers can often become dependent on such a leader and this tends to stifle initiative amongst the workforce. • Those managed in such a way are often dissatisfied with the leader. – this would seem to be the case here as many workers are leaving to work elsewhere. • Autocratic leaders often insist on high levels of supervision and this can cause resentment as workers will tend to lack cohesion and may not therefore all pull in the same direction to achieve the business’s goals. • Talent is often not recognized by autocratic managers and therefore a valuable human resource may be lost or under utilized. • Two way communication does not occur and good ideas which may help the business may well be ignored. • People who may well possess great potential are not made the best use of and may leave to achieve their ambitions. • However, there are occasions and circumstances where strong authoritarian leadership may be required – especially if the workforce is not performing as it should if there is a crisis. • Some workers respond well to authoritarian leadership and do not want to take on any extra responsibility or may not be capable of doing so. • Unlikely that all workers will respond in a similar fashion and some may well be willing to work under an autocratic leader, as they know exactly where they stand and do not wish to act on their own initiative. 	<p>8</p> <p>1-3</p> <p>4-6</p> <p>7-8</p>	<p>AO1 1 AO2 2 AO3 2 AO4 3</p>

Question	Answer	Mark allocation	Assessment objective
2 (a) (i)	<p>Calculate the value of: (i) Net flow for January 2014;</p> <p>£ (14420) or -14420 or minus 14420</p>	1	AO2 1
	<p>Calculate the value of: (ii) Closing Balance for June 2014;</p> <p>£ (2465) or -2465 or minus 2465</p>	1	AO2 1
2 (b)	<p>Explain two advantages, to CJ's Coffee Shops of preparing a cash flow forecast.</p> <p>Level 1 Candidate makes simple statements relating to why businesses prepare cash flow forecasts.</p> <p>Level 2 Candidate attempts to explain one or two advantages of preparing cash flow forecasts.</p> <p>Level 3 Candidate fully explains two advantages for Chris and Julie of preparing a forecast.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • Identifies the timing of cash shortages and surpluses. • Enhances the planning process – guides them towards taking appropriate action. • Helps identify where problems might occur and helps to avoid them being forced out of business. • Supports attempts to raise finance. • Assists in determining the liability of the new business venture. 	<p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p>

Question	Answer	Mark allocation	Assessment objective
2 (c)	<p>Assess Chris’s proposal to open up a second coffee shop in order to expand the business.</p> <p>Level 1 Candidate briefly outlines one or two benefits or drawbacks of opening a new coffee shop.</p> <p>Level 2 Candidate attempts to analyse relevant benefits and/or drawbacks of opening a new coffee shop.</p> <p>Level 3 Candidate fully evaluates the proposal to open up a new coffee shop.</p> <p>Possible responses may include: Arguments for:</p> <ul style="list-style-type: none"> • The first coffee shop has been a success and they have an excellent reputation which would be an asset for the new coffee shop. • They both have demonstrated excellent skills to run such a business. • They have £20,000 to help get the new coffee shop started. • Growth is a worthwhile objective. May be able to take advantage of economies of scale. • Julie’s cash flow forecast may be incorrect – revenue may be considerably higher. • Profits from the first coffee shop can support CJ’s II in the early stages. • Net Cash Flow improves from April to June if this were to persist then the CJ’s II may be much more viable in the second year when no capital expenditure is required. <p>Arguments against:</p> <ul style="list-style-type: none"> • Chris and Julie cannot be in two places at once they are fundamental to the success of the coffee shops. • Will they be able to find quality staff to run the new coffee shop when they are not there? • Currently they pay no wages or rent – this makes it much less likely that CJ’s II will match the profitability of the original coffee shop. • The costs are considerably higher in the new coffee shop and they are in a negative cash flow situation from April onwards (although they do have an overdraft limit of £2500) • The new café may jeopardize the success of the existing café. • Julie is indicating that she wants more out of the business than they have taken to date and this would prevent that. This could well de-motivate her. • They are both 58 years of age - is this a good time to be expanding a business? 	<p>8</p> <p>1-3</p> <p>4-6</p> <p>7-8</p>	<p>AO1 1 AO2 2 AO4 5</p>

Question	Answer	Mark allocation	Assessment objective
3 (a)	<p>Explain <u>two</u> reasons why brands are so important to Heinz.</p> <p>Level 1 Candidate identifies one or two reasons why branding is so important to Heinz.</p> <p>Level 2 Candidate clearly explains two reasons why branding is so important to Heinz.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • To create brand loyalty – this will encourage repeat purchasing. • <u>Pricing decisions</u> have more flexibility - demand will not fall significantly when the price is raised. • Customers tend to <u>trust</u> the product and may purchase other products that are associated with the brand. • Gives a business a <u>clear and easily recognisable identity</u> which will help to differentiate products from those of competitors. • May encourage the purchasing of new products under the same brand umbrella. • Retailers are more likely to stock your products if there is a strong brand identity. 	<p>4</p> <p>1-2</p> <p>3-4</p>	<p>AO1 2</p> <p>AO3 2</p>
3 (b)	<p>Explain with the use of a labelled diagram, what is meant by the term ‘extension strategy’?</p> <ul style="list-style-type: none"> • Correctly labelled diagram (x2) • A medium/ long term plan for lengthening the life cycle of a product or brand/ generate more sales (x1). • Likely to be implemented during the maturity or decline stages (x1). • Suitable examples (x1). <p>Max of 3 without diagram.</p>	<p>4</p>	<p>AO1 1</p> <p>AO2 2</p> <p>AO3 1</p>

Question	Answer	Mark allocation	Assessment objective
3 (c)	<p>Analyse the factors Heinz should take into account when deciding how to package its products.</p> <p>Level 1 Candidate briefly describes factors Heinz should take into account when deciding how to package its products.</p> <p>Level 2 Candidate attempts to explain factors Heinz should take into account when deciding how to package its products.</p> <p>Level 3 Candidate fully analyses factors Heinz should take into account when deciding how to package its products.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • <u>Design</u> – packaging for Heinz products should be eye catching. It should help the consumer distinguish them from other products. Should be consistent with the brand image. Colour may be important. Should carry their famous logo. • <u>Convenience</u> – consumers must be able to open the products easily in order to access the contents. Must not be too bulky as this will add to distribution costs and may deter customers. • <u>Protection</u> – the contents must be well protected and not easily damaged as this will be a problem for both distributors and customers. This will also be costly for Heinz and may lose customers if the foodstuffs are poorly protected. • <u>Information</u> – customers now require to be fully informed about the ingredients that Heinz use in their products that they purchase. This is also required by law and all legislation must be complied with. The sources of Heinz raw materials are also increasingly important for ethical customers. • <u>Environmental factors</u> – consumers tend to be increasingly environmentally aware and recyclable materials are used when possible. Also manufacturers are increasingly coming under pressure to reduce waste in relation to packaging. 	<p>8</p> <p>1-3</p> <p>4-6</p> <p>7-8</p>	<p>AO1 2 AO2 3 AO3 3</p>

Question	Answer	Mark allocation	Assessment objective
3 (d)	<p>To what extent do you agree that Heinz’s success depends more on its Research and Development Department than its Marketing Department.</p> <p>Level 1 Candidate briefly outlines aspects of R&D and/ or marketing that are important to the success of a business such as Heinz.</p> <p>The candidate organises information and presents simple ideas in a clear manner using some appropriate terminology. Errors in grammar, punctuation and spelling may be noticeable and intrusive suggesting weaknesses in these areas.</p> <p>Level 2 Candidate attempts to explain aspects of R&D and/or marketing that are important to the success of a business such as Heinz. May attempt some basic evaluation.</p> <p>The candidate can organise relevant information and express moderately complex ideas clearly in coherent manner. There is good use of specialist terminology. Occasional errors in grammar, punctuation and spelling occur but they are not sufficient to suggest a weakness in these areas.</p> <p>Level 3 Candidates fully evaluates the relative merits of R&D and marketing that impact upon the success of Heinz.</p> <p>The candidate can organise effectively relevant information and express complex ideas extremely clearly and fluently. There is very good use of specialist terminology. There are few, if any, errors of grammar, punctuation and spelling.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • R&D can lead to the development of new products which may give a business a competitive edge. Patents can be obtained preventing competition for a period of time. Relevant examples from the data provided. • Improved working environments. New machinery can be developed which may cut costs and raise productivity. May also be cleaner, safer and more ergonomically designed, improving the working conditions of employees. • Improved image. Consumers may be impressed with businesses committed to R&D. R&D can motivate staff may help to satisfy their higher order needs. May create optimism and give the organisation a positive feel. 	<p>10</p> <p>1-3</p> <p>4-7</p> <p>8-10</p>	<p>AO1 2 AO2 2 AO4 6</p>

		<ul style="list-style-type: none"> • Increased sales – consumers benefit from a wider variety of goods – new products constantly being provide by Heinz plc. • Promoting their products in a highly competitive market is very important in order to raise awareness of new products and to encourage repeat purchasing. • Setting the correct prices for their products is key as they need to maximise the revenue from sales. • Distribution of their product range needs to be efficient as the products need to be in the right place at the right time in order that their customers are able to purchase them. <p><i>In essence, both R&D and Marketing are central to the success of Heinz. They are inextricably linked as the role of R&D in packaging. (one of the 5P's of marketing) highlights.</i></p>		
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Question	Answer	Mark allocation	Assessment objective
3 (e) (i)	<p>What is an ‘appraisal’?</p> <ul style="list-style-type: none"> • A process of assessing the effectiveness of an employee. • Evaluating the usefulness of an employee to a business. • Commonly undertaken as a one-to-one discussion between employee and manager. • An attempt by a business to find out the qualities, usefulness or worth of an employee. • Feedback is given regarding performance. 	2	AO1 2
(ii)	<p>Analyse the possible benefits to Heinz of undertaking appraisals with each of its employees.</p> <p>Level 1 Candidate identifies one or two possible benefits to Heinz of undertaking appraisals with their employees.</p> <p>Level 2 Candidate attempts to explain possible benefits to Heinz of undertaking appraisals with their employees.</p> <p>Level 3 Candidate fully analyses possible benefits to Heinz of undertaking appraisals with their employees.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • The overall performance of their employees may improve – timekeeping customer sales levels, contribution to teamwork etc. • The motivation of certain employees may improve being able to express their views may be a positive experience for some. A two-way process. • The appraisal may identify training needs and lead to a more efficient workforce. • Employees who have potential for promotion may be identified and make a more significant contribution to the business in the future. • Provide information for more effective human resource planning/pay/promotion. • May assess the effectiveness of the selection process. 	6 1-2 3-4 5-6	AO1 2 AO2 2 AO3 2

Business Studies - BS3

Question	Answer	Mark allocation	Assessment objective
1	<p>Explain how Whitbread plc identifies and satisfies the needs and wants of its customers to ensure “a great customer experience”</p> <p>Level 1 The candidate shows some understanding of how Whitbread plc identifies and satisfies the needs and wants of its customers.</p> <p>Level 2 The candidate shows greater understanding of how Whitbread plc identifies and satisfies the needs and wants of its customers.</p> <p>Level 3 The candidate shows good understanding of how Whitbread plc identifies and satisfies the needs and wants of its customers.</p> <p>Whitbread uses various surveys and focus groups to find out the needs and wants of its customers.</p> <p>Premier Inn runs regular focus groups and has a customer satisfaction survey with over 800,000 responses a year. The survey rates customer satisfaction across 200 areas of the business. Whitbread uses the results of these surveys to satisfy its customers. Examples include giving customers a choice over the pillows and giving half an hour’s free Wi-Fi access.</p> <p>Whitbread’s restaurants have monthly customer focus groups which resulted in improved breakfasts and a customer relationship management database with over 750,000 customers. It has different types of restaurant in order to meet the requirements of different types of customer.</p> <p>Costa Coffee have a listen and learn scheme providing real time customer feedback by store. Customers are asked six key questions and the results are kept on the Coffee Club database. Its stores are located in places that are convenient to its customers.</p> <p>Whitbread also makes sure that its employees are well-trained and ‘engaged’ in order to meet and exceed customer expectations.</p> <p>Whitbread reinvest in the quality of their properties. Any other valid point should be credited.</p>	<p>10</p> <p>1-3</p> <p>4-6</p> <p>7-10</p>	<p>AO1 4 AO2 2 AO3 4</p>

Question	Answer	Mark allocation	Assessment objective
2	<p>Using Porter's Five Forces Framework analyse the current position of Whitbread plc.</p> <p>Level 1 The candidate demonstrates some understanding of Porter's Five Forces and makes some attempt to apply it to Whitbread plc.</p> <p>Level 2 The candidate demonstrates good understanding of Porter's Five Forces and makes a reasonable attempt to apply it to Whitbread plc.</p> <p>Level 3 The candidate demonstrates excellent understanding of Porter's Five Forces and applies it meaningfully to Whitbread plc.</p> <p>Answers might refer to the following:</p> <p><u>Bargaining power of suppliers:</u> Whitbread is a large company and is therefore likely to have considerable influence over its suppliers so that this should not be too much of a problem for them.</p> <p><u>Rivalry among competitors:</u> there is considerable rivalry for all of their hospitality brands and they need to work hard to maintain their position as market leader.</p> <p><u>The threat of new entrants:</u> it is not that difficult to set up a coffee shop or a restaurant although hotels are less of a threat. However, it is not easy to compete on the scale of Whitbread. They may face competition in certain locations but this is not likely to affect them greatly in the short term.</p> <p><u>The threat of substitute products:</u> there are substitutes to coffee, e.g. tea, but at the moment coffee shops are very popular. There are other hotels and restaurants which could pose a threat to Whitbread.</p> <p><u>The bargaining power of customers:</u> due to quite intense competition in these markets customers have considerable choice and so have to be given special offers in order to attract them, especially in difficult economic times.</p> <p>It is very important for the management of Whitbread to consider all of these issues and to respond appropriately. This is why they have developed their 'Success to Legend' strategy.</p> <p>Any other valid point.</p>	<p>14</p> <p>1-4</p> <p>5-9</p> <p>10-14</p>	<p>AO1 2 AO2 4 AO3 4 AO4 4</p>

Question	Answer	Mark allocation	Assessment objective	
3	Analyse and evaluate the financial performance of Whitbread plc	12	AO2 AO2 AO4 AO4	
	Level 1 The candidate attempts some analysis/evaluation of the financial performance of Whitbread plc.	1-4		
	Level 2 The candidate makes a reasonable attempt to analyse/evaluate the financial performance of Whitbread plc.	5-8		
	Level 3 The candidate makes a detailed and well balanced analysis and evaluation of the financial performance of Whitbread plc.	9-12		
		2012	2011	
	Gross Profit Margin	$1490/1778 \times 100$ =83.80%	$1363/1600 \times 100$ =85.19%	
	Net Profit Margin	$346/1778 \times 100$ =19.46%	$310/1600 \times 100$ =19.38%	
	ROCE (fixed + current assets)	$346/(2811+149) \times 100$ = $346/2960 \times 100$ =11.69%	$310/(2643+145) \times 100$ = $310/2788 \times 100$ =11.12%	
	ROCE (shareholders' funds + long term liabilities)	$346/(1283+1309) \times 100$ = $346/2592$ =13.35%	$310/(1242+1214) \times 100$ = $310/2456$ =12.62%	
	Current ratio	149/368:1 =0.40:1	145/332:1 =0.44:1	
	Acid test ratio	$149-23/368:1$ = $126/368:1$ =0.34:1	$145-19/332$ = $126/332$ =0.38:1	
Gearing (long term liabilities/ shareholders funds)	$1309/1283 \times 100$ =102.03%	$1214/1242 \times 100$ =97.75 %		
Gearing (long-term liabilities/ shareholders funds + long-term liabilities)	$1309/(1283+1309) \times 100$ = $1309/2592 \times 100$ =50.50%	$1214/(1242+1214) \times 100$ = $1214/2456$ =49.43 %		
	The gross profit margin looks exceptionally healthy despite a small decline between 2011 and 2012.			
	Accept RONA in place of ROCE.			

Question	Answer	Mark allocation	Assessment objective
	<p>The net profit margin is lower, reflecting the high level of overheads, but is, nevertheless, very healthy at nearly 20% and up slightly between 2011 and 2012, despite the reduced gross profit margin, which is good and probably indicates that the company is trying to control its expenses.</p> <p>ROCE by either method has improved slightly and at just over 10% is quite a healthy return compared to the interest that could be earned from depositing money in a bank. The current ratio is low and has worsened slightly. This would normally be interpreted as an indication of a cash-flow problem, with the business struggling to pay its short-term liabilities. In reality, it is probably a reflection of the strength of Whitbread vis-a-vis its suppliers.</p> <p>The same could be said of its acid test ratio which is also very low, although the figures for stock are quite low in themselves.</p> <p>The figure for gearing is around the ideal of 50% or 100% depending on which method is used to calculate it. It has increased slightly and if this trend continues it may prove to be a problem for the business, especially if interest rates start to rise.</p> <p>Overall, the business seems to be in a healthy financial position, which is reflected in the strength of its share price. Liquidity may become a problem as might gearing, but at the moment there is probably little cause for concern as long as the profits hold up.</p> <p>There are the usual caveats about wanting to see the results for more than two years and the results of other similar businesses for the sake of comparison and the possibility that the accounts are not a true reflection of the state of the business due to window-dressing etc.</p>		

Question	Answer	Mark allocation	Assessment objective
4	<p>Evaluate Whitbread plc’s ‘Good Together’ approach from the point of view of its various stakeholders</p> <p>Level 1 The candidate makes some attempt to analyse/evaluate Whitbread’s Good Together approach.</p> <p>Level 2 The candidate makes a reasonable attempt to analyse/evaluate Whitbread’s Good Together approach.</p> <p>Level 3 The candidate presents a well-balanced analysis and evaluation of Whitbread’s Good Together approach</p> <p>Responses might include the following:</p> <p>The Good Together approach includes training staff, improving the nutritional content of food, reducing energy consumption and improving the life of people within local communities. It is concerned with things like reducing youth unemployment and championing healthier lifestyles. It also supports charities including giving money to Water Aid and opening 24 schools.</p> <p>This would have an effect on various stakeholders: Shareholders may see a little of their profits used up on these schemes but the benefits to the business in terms of enhanced reputation probably outweigh the cost.</p> <p>Employees may benefit directly through training or indirectly as they feel good working for an ethical business. Local communities will benefit directly. Customers are likely to look favourably on a business that acts ethically, this can be seen since numbers increased when it was realised that Whitbread paid its share of tax but Starbucks and Caffe Nero did not.</p> <p>Suppliers might benefit, especially those affected by fair trade policies.</p> <p>Competitors might lose out if they are seen to be less ethically responsible than Whitbread.</p> <p>The Government. Meets targets for reducing energy consumption and unemployment, and promoting healthier lifestyles.</p>	<p>12</p> <p>1-4</p> <p>5-8</p> <p>9-12</p>	<p>AO1 2 AO2 2 AO3 3 AO4 5</p>

Question	Answer	Mark allocation	Assessment objective
5	<p>Evaluate Whitbread plc's strategy of global growth</p> <p>Level 1 The candidate makes some attempt to analyse/evaluate Whitbread plc's strategy of global growth</p> <p>Level 2 The candidate makes a reasonable attempt to analyse/evaluate Whitbread plc's strategy of global growth</p> <p>Level 3 The candidate presents a well-balanced analysis and evaluation of Whitbread's strategy for global growth</p> <p>Responses might include the following:</p> <p>Global growth presents Whitbread with huge opportunities for expansion. They have plans to open 500 Costa Coffee outlets in China alone. This should lead to improved profits.</p> <p>Benefit of economies of scale, it can also spread risks across different markets.</p> <p>They also have the opportunity to open Premier Inns in several overseas locations.</p> <p>Whilst they are already operating in several overseas locations there are plenty of other places where they do not yet operate so the potential for growth is considerable.</p> <p>Lessons may be learnt in overseas countries that can then be applied back in the UK. Workers from overseas may settle in the UK and improve the efficiency of the business.</p> <p>However, as with all attempts at global growth there are a number of pitfalls that need to be avoided.</p> <p>Global expansion can be very costly in terms of buying premises, training workers, establishing supply chains etc, and in the early days success is not guaranteed. The economy of their new destination countries may go into recession and harm sales.</p> <p>There may already be established businesses there which they will have difficulty competing against.</p> <p>Differences in culture may affect the business. This is illustrated by the fact that the Chinese do not like coffee. Another example might be that Premier Inns need to be careful when drawing up their menus not to offend different religions.</p> <p>Language problems may mean that communication may be a problem or can even result in negative results if words mean different things in different languages, e.g. Vauxhall Nova. Whitbread will need to abide by local legislation, which may differ from that in the UK.</p> <p>Whitbread may experience diseconomies of scale.</p> <p>Whitbread can be affected by currency fluctuations, which may be positive or negative.</p> <p>Any other valid point.</p>	<p>12</p> <p>1-4</p> <p>5-8</p> <p>9-12</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 3</p> <p>AO4 5</p>



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