

Mark Scheme (Results)

Summer 2016

Pearson Edexcel GCE
in Business Studies (6BS04/01)

Unit 4A: Making Business Decisions

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A Mark Scheme

Question Number	Question	
1.	What is meant by the term 'Global Marketing'? (Additional Evidence I, line number 6)	
	Answer	Mark
	<p>Knowledge up to 2</p> <ul style="list-style-type: none"> Marketing strategies used by businesses (1 mark) and when selling/operating in international markets (1 mark) The elements of the marketing mix may be the same (1 mark) or according to which countries the business operates in (1 mark) 1 mark for partial or vague definition but a valid example lifts to 2 marks. For example, reference to 'runnovation'. Any other suitable alternative 	1-2

Question Number	Question	
2.	What is meant by 'Corporate Social Responsibility'? (Additional Evidence I, line number 8)	
	Answer	Mark
	<p>Knowledge up to 2:</p> <ul style="list-style-type: none"> The way a business addresses issues beyond profit (1 mark) such as ethical treatment of its stakeholders (1 mark) and/or consideration of environmental issues (1 mark) A policy of behaving beyond the legal minimum (1 mark) expected by normal/conventional business behaviour (1 mark) 1 mark for partial or vague definition but a valid example lifts to 2 marks. Any other suitable alternative 	1-2

Question Number	Question	
3.	Explain one way in which the 'Runnovation' campaign could improve New Balance's profitability (Additional Evidence I, line numbers 12 and 13).	
	Answer	Mark
	<p>Knowledge and understanding 1</p> <ul style="list-style-type: none"> Profitability measures are the proportion of profit made out of a given revenue (1 mark) It can be measured by the Gross Profit Margin / Net Profit Margin (1 mark) <p>Application 1</p> <ul style="list-style-type: none"> New balance revenues increased 3% in the first part of 2013 (1 mark) The expenses/costs of the campaign have not been revealed (1 mark) <p>Analysis up to 2</p> <ul style="list-style-type: none"> The campaign raises awareness of New Balance and its products which increases sales and therefore revenue (1 mark) If this revenue increased by a greater proportion than the increase in expenses incurred in running the campaign, New Balance's profitability should increase. (1 mark). 	<p>1</p> <p>1</p> <p>1 - 2</p> <p>Total (4 marks)</p>

Question Number	Question	
4.	Explain one reason why the decision to install solar panels at its Flimby factory (Evidence E) fits with New Balance's 'mission'. (Evidence C). (4 marks)	
	Answer	Mark
	<p>Knowledge 1 mark</p> <ul style="list-style-type: none"> Mission, or Mission Statement means the guiding principles of the business (1 mark) These are often communicated in a way that helps to build a common purpose among staff (1 mark) <p>Application 1 mark</p> <ul style="list-style-type: none"> New Balance's Mission includes 'responsible leadership' / being a business that 'communities are proud to host' (1 mark). 208 solar panels Solar panel reduce CO₂ emissions (1 mark) <p>Analysis up to 2 marks</p> <ul style="list-style-type: none"> New Balance has installed new solar panels which reduces the use of energy produced in a traditional way (1 mark) which in line with their Mission of responsible leadership (1 mark) The solar panels are intended to put energy back into the local power network (1 mark) so communities might be proud to host New Balance factories if they are seen to be acting in a sustainable way (1 mark). 	<p>1</p> <p>1</p> <p>1 - 2</p> <p>Total (4 marks)</p>

Question Number	Question	
5. (a)	Using Evidence D, calculate New Balance UK's Acid Test Ratio for 2012 and 2013.	
	Answer	Mark
	<p>Knowledge, up to 2 marks</p> <p>Acid Test = $\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}}$</p> <p>Some understanding of liquidity - allow 1 mark</p> <p>Knowledge implied by correct working without correct answer.</p> <p>Application, up to 2 marks (1 mark per ratio)</p> <p>2012: Acid test = $(20\,014\,948 - 8\,611\,341 = 11\,403\,607) / 13\,913\,126 = \mathbf{0.82}$ (2dp) $\mathbf{0.8}$ (1dp)</p> <p>2013: Acid test = $(27\,901\,319 - 12\,137\,301 = 15\,764\,018) / 27\,173\,413 = \mathbf{0.58}$ (2dp) $\mathbf{0.6}$ (1dp)</p> <p>Accept answers expressed as x:1</p> <p>NB: if answers are correct and no workings (4 marks)</p>	<p>2</p> <p>1</p> <p>1</p> <p>Total (4 marks)</p>

Question Number	Question	
5. (b)	Comment on the results of your calculations in 5(a).	
	Answer	Mark
	<p>Application up to 2 marks</p> <ul style="list-style-type: none"> New Balance's Acid Test has fallen from 0.82 to 0.58 (1 mark) New Balance's Acid test has fallen/reduced by 0.24/29% fall (2 marks) New Balance's stock value has increased from £8 611 341 to £12 137 301(1 mark) <p>Analysis up to 2 marks – interpreting results</p> <ul style="list-style-type: none"> Change from 2012 to 2013 suggests a fall in New Balance UK's liquidity (1 mark) which makes it more difficult for them to meet current liabilities as they fall due (1 mark) The ratio has fallen further away from 1.0 (1 mark) which is significant as it means there are less liquid assets to meet current liabilities (1 mark) The increase in stock (1 mark) may be due to an expansion in production as outlined in the evidence which will eventually be sold (1 mark) <p>OFR applies to analysis</p>	<p>2</p> <p>2</p> <p>Total (4marks)</p>

Question Number		Question	
6.		Assess the likely value of the Boston Consulting Group (Boston) Matrix to New Balance's corporate planning.	
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of Boston Matrix and/ or corporate planning.	<ul style="list-style-type: none"> Boston Matrix is a tool for analysing the current position of the products within in business's product portfolio in terms of their market share and market growth Accurately labelled Boston Matrix acceptable here
Level 2	3-4	Answers should be applied to New Balance's product portfolio.	<ul style="list-style-type: none"> New Balance has a wide range of products in its portfolio: athletic footwear; clothing; football clothing; cricket clothing Footwear market is growing according to Evidence G Running shoes could be considered a 'cash cow' Bright fashion designs could be considered a 'rising star'
Level 3	5-6	<p>Candidate analyses using reasons/causes /consequences/ costs of the likely usefulness of Boston Matrix for New Balance.</p> <p>Arguments will be one-sided.</p> <p>Award 5 marks if analysis is not in context</p>	<ul style="list-style-type: none"> Boston Matrix allows New Balance to consider which products/brands are in markets that are growing e.g. cricket equipment and so they can channel marketing resources towards these Boston Matrix shows New Balance that an established brand such as its traditional running shoes may be a cash cow, the revenue from which can be used to finance marketing in growth areas such as football
Level 4	7-10	<p><u>Low Level 4: 7 - 8 marks</u> Arguments in context for and against the use of Boston Matrix for New Balance's corporate planning.</p> <p><u>High Level 4: 9 -10 marks</u> Expect to see convincing evaluative points with a conclusion.</p>	<ul style="list-style-type: none"> Boston Matrix assumes that market share and market growth figures are available and accurate – this is not the case in the pre-release Boston Matrix can lead New Balance to focus too much upon pursuing increases in market share as opposed to improving other aspects of New Balance's performance such as improving new product development, or improving profitability in its existing markets Boston Matrix will provide New Balance with a tool for understanding its overall product portfolio as it continues to expand into new products (football and cricket) and new markets (Europe). However, as New Balance is a business that has many different products within one market (athletic shoes), it can be difficult and unnecessary to separate these out into different markets

Section B Mark Scheme

Question Number	Question		
7.(a)	Assess whether the manager of the Flimby factory should accept this special order. (20 marks)		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge of contribution/special orders.</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text</i></p>	<ul style="list-style-type: none"> • Contribution is calculated by subtracting variable costs per unit from the selling price per unit of a product • Contribution goes towards paying a business' Fixed Costs and once these are paid then towards its profits.
Level 2	4-7	<p>Candidate applies knowledge of 'special orders'.</p> <p><u>Low Level 2: 4-5 marks</u> Application is weak.</p> <p><u>High Level 2: 6-7 marks</u> Application to New Balance.</p> <p><i>The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.</i></p>	<ul style="list-style-type: none"> • The order is special because it is at a price below the usual price at which this retailer sells New Balance clothing • New Balance supplies a range of retailers in the UK and around the world, as well selling products directly to customers online • The order in question makes a positive contribution to New Balances Fixed Costs, which might include factory running costs and advertising for its sports clothing
Level 3	8-14	<p><u>Low level 3: 8 – 9 marks</u> Candidate will attempt very basic analysis of the acceptance of the special order by New Balance. One reason/cause/cost and /or consequence is outlined.</p> <p>Cap at 8 for no context.</p> <p><u>Medium level 3: 10 – 11 marks</u> Candidates look at two reasons/causes/costs and/or consequences of the special order being accepted.</p> <p><u>High Level 3: 12 – 14 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined.</p>	<ul style="list-style-type: none"> • New Balance should accept this order because it is from a large retailer and therefore they might contribute to a large proportion of New Balance's UK sales – refusal might reduce sales overall • We do not know New Balance's Fixed Costs, or this size of orders from other customers – it may be that the positive contribution actually contributes towards New Balance UK's overall profits • It might be important to keep this retailer happy as they are a big customer to New Balance and crucial in their continued UK expansion

		<p>Answer will be one-sided.</p> <p><i>The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</i></p>	<ul style="list-style-type: none"> plans. As the contribution is positive, this means that it covers at least some of New Balance's Fixed Costs – as they expand this could provide valuable financial security If the order can be fulfilled at a time when the Flimby factory has spare capacity, this will be a good way to utilise resources and prevent the need for staff lay- offs/ redundancies
Level 4	15-20	<p><u>Low Level 4: 15-16</u> One attempt to evaluate in context whether New Balance should accept the order.</p> <p><u>Mid Level 4: 17-18</u> Two or more attempts to evaluate in context whether New Balance should accept this order.</p> <p><u>High Level 4: 19-20</u> Candidate will make a clear conclusion as to whether the order should be accepted by New Balance based on financial and non-financial arguments (MOPS).</p> <p><i>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.</i></p>	<ul style="list-style-type: none"> New Balance sales are growing in a number of markets e.g fashion trainer market and therefore less likely to need to accept this order regardless of the contribution. If the order is accepted and other UK retailers find out, this is likely to lead to them demanding a similar deal, or withdrawing their custom – they could, for example source stock from other New Balance factories around the world New Balance footwear has a higher production cost due to the hand-made nature of the production, this means that they are unlikely to accept orders at prices below what they have charged before New Balance is a worldwide business that tries to differentiate itself by still producing in high wage locations such as the UK and the US. It is unlikely that one of these factories will allow a special order even if it is from a large retailer and it makes a positive contribution. There will be concern that the retailer may then charge a lower price to customers, thus damaging the premium brand overall.

Question Number	Question		
7b	Evaluate the importance of Market Development in Ansoff's Matrix to New Balance's overall Corporate Strategy. (30 marks)		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge of Market Development/Ansoff's Matrix</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text</i></p>	<ul style="list-style-type: none"> Market Development is where a business attempts to sell existing products to new customers New customers might be in new geographic locations or different market segments
Level 2	4-7	<p>Candidate applies knowledge of Market Development/Ansoff's Matrix to New Balance.</p> <p><u>Low Level 2: 4 - 5 marks</u> Application is weak</p> <p><u>High Level 2: 6 -7 marks</u> Application to New Balance of pursuing Market Development is sound.</p> <p><i>The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.</i></p>	<ul style="list-style-type: none"> New Balance is selling football kit through its Warrior brand New Balance brand is planning to expand stores across Europe to Paris, Barcelona, and Berlin New Balance is selling cricket equipment to Australia and South Africa – this is a new market for the business
Level 3	8 -16	<p><u>Low level 3: 8 – 10 marks</u> Candidate will attempt very basic analysis of New Balance's pursuit of Market Development</p> <p>Cap at 8 for no context</p> <p><u>Medium level 3: 11 – 13 marks</u> Candidate clearly analyses the Market Development to New Balance.</p> <p><u>High Level 3: 14 – 16 marks</u> Analysis is wide-ranging – Market Development and its reasons are explained, reasons/causes/costs and/or consequences to New Balance are outlined.</p> <p>Answer will be one-sided.</p>	<ul style="list-style-type: none"> The UK and US are highly competitive consumer markets for sportswear, so it is beneficial to focus on growth strategies in new markets such as cricket. Market development, such as that followed by its football brand Warrior, allows New Balance to grow in sales and therefore expands into markets that are popular and growing With expansion into sports like cricket, they have limited the risk of expansion by targeting

		<i>The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</i>	smaller markets (Australia and South Africa) and avoiding larger markets such as India
Level 4	17-30	<p>Threshold level 4: 17 – 18 marks One limited attempt to evaluate in context the pursuit of Market Development to New Balance.</p> <p>Evaluation can be:</p> <ol style="list-style-type: none"> 1. Other considerations instead of market development e.g.CSR 2. Disadvantages of market development 3. Other strategies from Ansoff’s matrix more suitable <p>All must be in context.</p> <p><u>Low Level 4: 19- 21</u> Two evaluative points made which look at either: the reasons for Market Development not being pursued, or for the fact that New Balance might be pursuing other strategies.</p> <p><u>Mid Level 4: 22 - 24</u> The candidate looks at both reasons against Market Development and suggests why Product Development is also being pursued.</p> <p><u>High Level 4: 25 -30</u> Candidate will make a clear conclusion about the suitability of Market Development to New Balance (MOPS)</p> <p><i>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.</i></p>	<ul style="list-style-type: none"> • Market development is risky because they do not have experience of the new markets they are entering and they also have a weakening liquidity position • New Balance are increasing revenues in existing markets such as footwear in the US and Europe, so therefore they should focus on Product Development through new designs and innovation • It is questionable that New Balance are using Market Development – there are elements of Product Development (e.g. cricket equipment) and even Diversification – selling cricket equipment to markets such as South Africa • New Balance is engaged in a number of strategies that together do not fit into one of Ansoff’s generic strategies. Market Development is being pursued in new geographical areas, but Product Development is being followed in New Balance’s mature markets of USA and Europe. Its focus on manufacturing in the UK and USA suggests Market Penetration of these markets through a quality USP

