

**GCE**

**New Business**

**H431/03: The global business environment**

Advanced GCE

**Mark Scheme for November 2020**

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



This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

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

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

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## Annotations

	Blank page
	Tick
	Cross
	Highlighting tool
	Not answered question
	Own Figure Rule
	Benefit of Doubt
	Repeat
	Noted but no credit given
	Too vague/No use of context
	Unclear
	Knowledge
	Application of knowledge and understanding
	Analysis
	Developed Analysis
	Evaluation
	Effective evaluation

**EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION**

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read when the paper is printed out in black & white.

**[Questions 3, 5 & 6 should be annotated with ticks, crosses, BOD, REP, TV, OFR, NAQ or ?. The number of ticks plus OFR MUST match the final mark awarded for that question. Ticks MUST NOT be used in Questions 1, 2, 4, 7 & 8.]**

**IT IS VITAL THAT YOU SHOW AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE. IN PARTICULAR, WHERE AOs ARE REACHED, SO THAT YOUR TEAM LEADER CAN LOOK TO AGREE WITH YOUR FINAL MARK.**

**Subject-specific Marking Instructions****INTRODUCTION**

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

## Levels of response – Level descriptors

	Knowledge and understanding/ Application	Analysis	Evaluation
<b>Strong</b>		An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
<b>Good</b>	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
<b>Reasonable</b>	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
<b>Limited</b>	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these four marks.

The descriptions in each levels of response question in this mark scheme describe a typical response at the top of that level.

**INSTRUCTIONS TO EXAMINERS:****A INDIVIDUAL ANSWERS**

- 1 The indicative content indicates the expected parameters for candidates' answers, but be prepared to recognise and credit unexpected approaches where they show relevance.
- 2 Be prepared to use the full range of marks. Do not reserve (e.g.) high Band marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

**B TOTAL MARKS**

- 1 The maximum mark for the paper is **80**.
- 2 The quality of extended responses is assessed in parts of this paper. The assessment of this skill is embedded within each of the levels and must be considered when determining the mark within the appropriate level

Answer		Marks	Guidance
1	<p><b>Level 2 (6–4 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and <b>good</b> analysis of Lidl's potential promotional methods to make customers aware of its stores and products</p> <p><b>Level 1 (3-1 marks)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis of Lidl's potential promotional methods to make customers aware of its stores and products</p> <p><b>NB</b> – award <b>one</b> mark for non–contextualised answer.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p><b>6</b> (AO1 1) (AO2 1) (AO3 4)</p>	<p>Possible methods:</p> <ul style="list-style-type: none"> <li>• print media such as newspapers, magazines</li> <li>• TV advertising</li> <li>• Radio</li> <li>• In-store promotional methods</li> <li>• ARA</li> </ul> <p><b>Exemplar response:</b> Following the relative failure of digital media, Lidl could focus on in-store promotional methods, such as targeted 'BOGOF' offers. These are particularly useful to Lidl as they are very specifically based on demand and stock availability at any one time and can be used to respond to local demand conditions to be determined in that particular store. Lidl, stocking a range of food items, can remain versatile and flexible with this method, thus maximising sales revenue and the efficiency of sales generally.</p> <p style="text-align: right;"><b>ARA</b></p>
2*	<p><b>Level 4 (20-16 marks)</b> Candidate shows <b>strong</b> knowledge, understanding, analysis and evaluation of how operating in a competitive market might affect Lidl's success</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 3 (15–11 marks)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of how operating in a competitive market might affect Lidl's success</p>	<p><b>20</b> (AO1 2) (AO2 4) (AO3 6) (AO4 8)</p>	<p><b>In the case of Lidl, so much of its strategy is based on competing at the 'bottom' end of the market and undercutting the 'traditional' big 4 supermarkets.</b></p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Success for whom? Shareholders, employees, managers, customers etc?</li> <li>• Impact via price competition – force prices down – impact on revenue etc</li> <li>• Impact of products and product range</li> <li>• Promotional power of competitors, particularly ALDI and Jack's</li> <li>• Barriers to entry</li> <li>• Location/number of outlets</li> <li>• Customers desires/economic situations might have more impact than competitors</li> </ul>

	Answer	Marks	Guidance
	<p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 2 (10-6 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding, analysis and evaluation of how operating in a competitive market might affect Lidl's success <i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p><b>Level 1 (5-1 marks)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis and evaluation of how operating in a competitive market might affect Lidl's success <i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<p><b>Exemplar response:</b> Lidl are in a brutally competitive market. Initially moving into the UK to undercut the main supermarkets such as Tesco's, Lidl dominated the low end of the market in a duopoly with ALDI. This made it hugely profitable as customers switched from where they traditionally went shopping to the new, cheaper alternative. With the launch of Jack's, that suddenly increases the level of competition in this market – should Jack's take off. If Jack's does successfully mimic Lidl then it will take trade away and reduce Lidl's revenues, although this is only true to the extent that Jack's (Tesco's) actually get its marketing mix 'right'. The impact might be negligible if all Jack's does is replicate Lidl, but in fewer stores and with no discernible difference between it and Lidl. There will be a significant impact on Lidl's revenues however if Jack's operates at a (destroyer?) level of price that massively undercuts Lidl and that customers prove 'foot-loose' and price elastic between stores.</p> <p style="text-align: right;"><b>ARA</b></p>

3		<p>One mark for knowledge of change (or identification of a cause of change)</p> <p>One further mark for knowledge of catastrophic with reference to change.</p>	<p><b>2</b> (AO1 2)</p>	<p><b>Exemplar response:</b></p> <p>Change happens when a business encounters a situation (or plans for a situation) where the internal or external environment of the business is (will be) different. Examples could be a new competitor, a pandemic etc...</p> <p>Catastrophic change is when change is sudden. This means that the change has not been planned for and thus has a far bigger impact than necessary.</p> <p style="text-align: right;"><b>ARA</b></p>
4		<p>One mark for each correct identification of how a business could recruit, up to a maximum of two marks.</p> <p>One further mark for each point of explanation in context, up to a maximum of two marks.</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	<p>Possible methods:</p> <ul style="list-style-type: none"> <li>• Internal recruitment via email/memo etc</li> <li>• External recruitment via an agency</li> <li>• External recruitment via job advert</li> </ul> <p><b>Exemplar response:</b></p> <p>Lidl could recruit via a specialist agency. (1) The agency would specifically target potential staff who have a link to selling cars with knowledge of, say, technical performance as opposed to supermarket staff who's experience lies in retailing food. (1)</p> <p style="text-align: right;"><b>ARA</b></p>

5	<p><b>Level 2 (6–4 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and <b>good</b> analysis of <b>one</b> quantifiable and <b>one</b> unquantifiable risk to Lidl should it try selling BMW cars.</p> <p><b>Level 1 (3–1 marks)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis of <b>one</b> quantifiable and/or <b>one</b> unquantifiable risk to Lidl should it try selling BMW cars.</p> <p><b>NB</b> – award <b>two</b> marks for non–contextualised answer.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	6 (AO1 2) (AO2 2) (AO3 2)	<p><b>Important to note that some risks could be argued to be both/either quantifiable and unquantifiable</b></p> <p>Quantifiable risks include:</p> <ul style="list-style-type: none"> <li>• Likely demand/sales volume</li> <li>• Probability (decision tree?) of likelihood of sales</li> <li>• Cost of personnel involved in BMW sales</li> <li>• Cost of marketing involved</li> <li>• Economic downturn (could argue unquantifiable)</li> </ul> <p>Unquantifiable risks include:</p> <ul style="list-style-type: none"> <li>• Economy</li> <li>• Political change/effects</li> <li>• Competitors actions – both to BMW and directly to Lidl</li> <li>• Consumers reactions</li> </ul> <p><b>Exemplar response:</b> Lidl could calculate the exact cost of marketing involved in the BMW venture, eg in-store advertising of BMWs, and thus put a figure to the magnitude of risk. There might be different strands to the marketing, each with an associated cost, and these could be directly compared to their probability of having an impact – possibly using AED from other car sales data source or Lidl’s own once the venture is underway and future risk calculated. There are so many variables that none of this is truly quantifiable but is an attempt at making it quantifiable and those a sound numerical basis for judgement.</p> <p style="text-align: right;"><b>ARA</b></p>
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<b>6</b>	<b>a</b>	3 marks for a correct answer (with or without working)  1 mark for the correct calculation of the original cost 1 mark for the correct calculation of the new cost 1 mark for the correct calculation of the difference (OFR)	<b>3</b> (AO1 1) (AO2 1) (AO3 1)	Cost to Lidl at £1=25 pesos $5/25 = £0.20$ (1)  Cost at £1=29 pesos $5/29 = £0.17$ (0.1724) (1)  Difference = <b><u>£0.03</u></b> (-0.276) (1) - allow appropriate rounding <b>OFR</b>
<b>6</b>	<b>b</b>	2 marks for a correct answer (with or without working)  1 mark for correct calculation of %change in QD 1 mark for correct calculation of PED (OFR)	<b>2</b> (AO2 2)	% change in demand = $500/6900 \times 100 = 7.25\%$ (1)  PED = $+7.25\%/-40\% = \textbf{(-) 0.18}$ (1) <i>Minus sign is not necessary for 2 marks</i> <b>OFR</b>
<b>6</b>	<b>c (i)</b>	One mark for each correct disadvantage of using the payback method of investment appraisal, up to a maximum of two marks.  One further mark for each point of explanation in context in context of using the payback method of investment appraisal, up to a maximum of two marks.	<b>4</b> (AO1 2) (AO2 2)	Indicative content: <ul style="list-style-type: none"> <li>• Too simplistic for such a big/potentially complex investment</li> <li>• Ignore returns after payback – i.e. long-term</li> <li>• Does not include the value of money changing over time</li> <li>• Rewards quickest payback – not best return</li> </ul> <b>Exemplar response:</b> PBP ignores the long term. (1) In this case, the returns increase into the future and the speed of payback ignores this. (1) <b>ARA</b>

6	c (ii)	<p>3 marks for a correct answer (with or without working)</p> <p>1 mark for correct calculation of net cashflow</p> <p>1 mark for correct calculation of average/annual return (OFR)</p> <p>1 mark for correct calculation of ARR (OFR)</p>	<p><b>3</b></p> <p>(AO1 1)</p> <p>(AO2 1)</p> <p>(AO3 1)</p>	<p>Total inflow = 17,000,000 pesos</p> <p>Deduct outlay of 12,500,000 pesos</p> <p>= 4,500,000 pesos (1)</p> <p>Annual return = 4,500,000/5 = 900,000 pesos (1)</p> <p>ARR = 900,000/12,500,000 x 100 (1)</p> <p>= <b>7.2%</b> (Accept rounding to 7%)</p> <p style="text-align: right;"><b>OFR</b></p>
7		<p><b>Level 3 (10–7 marks)</b></p> <p>Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of one reason why being an environmentally friendly organisation may be important to Lidl.</p> <p><b>Level 2 (6–4 marks)</b></p> <p>Candidate shows <b>reasonable</b> knowledge and understanding, analysis and evaluation of one reason why being an environmentally friendly organisation may be important to Lidl.</p> <p><b>Level 1 (3–1 marks)</b></p> <p>Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis and evaluation of one reason why being an environmentally friendly organisation may be important to Lidl.</p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for a non-contextualised reason.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p><b>10</b></p> <p>(AO1 2)</p> <p>(AO2 2)</p> <p>(AO3 3)</p> <p>(AO4 3)</p>	<p>Indicative content:</p> <p>Evaluate why being an environmentally friendly organisation may be important to Lidl.</p> <ul style="list-style-type: none"> <li>• To give Lidl a USP in a competitive market.</li> <li>• To avoid 'bad press' if they are NOT an environmentally friendly organisation.</li> <li>• To use in their marketing to support their revenue generation and other marketing aims.</li> <li>• As a genuine aim of the owners.</li> <li>• To attract future investment.</li> <li>• To support planning permission when locating new stores.</li> <li>• To reduce costs – for example a reduction in plastic packaging may reduce the cost of the products being sold.</li> </ul> <p><b>Exemplar response:</b></p> <p>One reason why being an environmentally friendly organisation is important to Lidl is because it is a current issue in the 'public eye'. If Lidl do not act environmentally friendly the public may choose to shop in one of the other supermarkets, such as Tesco (who are trialling reduced packaging stores in the UK). This will reduce the revenue for Lidl and may impact their obvious growth objective.</p>

				<p>Ultimately bad press is likely to lead to a reduction in profits for the firm and reduce their ability to expand in countries such as Serbia.</p> <p>However, people tend to shop at Lidl because it is cheap and by focussing on being environmentally friendly, this may increase costs, making the products more expensive, less appealing to customers, reducing revenue and profit.</p> <p>Overall, Lidl need to avoid any bad press because this is a competitive market, however they also must not lose sight of their prime USP which is being cheaper than their competition. In this regard Lidl may need to 'follow the lead' of the main players in the market such as Tesco, so that they can continue to be a discount supermarket.</p> <p style="text-align: right;"><b>ARA</b></p>
<b>8</b>		<p><b>Level 4 (20-16 marks)</b> Candidate shows <b>strong</b> knowledge, understanding, analysis and evaluation of a possible operations strategy for Lidl's Estonian expansion <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 3 (15-11 marks)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of a possible operations strategy for Lidl's Estonian expansion <i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 2 (10-6 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding, analysis and evaluation of a possible operations strategy for Lidl's Estonian expansion</p>	<p><b>20</b> (AO1 2) (AO2 4) (AO3 6) (AO4 8)</p>	<p><b>Level 4 is reserved for those candidates who produce a 'strategy', i.e. a series of operations management considerations that have a some sort of time frame, sequence or suggestion that they are part of a process that is itself based on clearly defined operations objectives (the obvious one being Lidl establishing itself in Estonia!).</b></p> <p><b>Level 3 and below is for candidates who list/analyse/discuss the considerations/factors WITHOUT it having the context of an overall strategy.</b></p> <p>Essentially, this is about many possible concepts and aspects of operations management and the strategy could include any of the following:</p> <ul style="list-style-type: none"> <li>• Project management – overview of setting up retail stores, distribution centres etc as part of an overall 'project' that needs managing with a time frame, restrictions, variables etc</li> <li>• Economies and diseconomies of scale</li> <li>• Capacity utilisation and management</li> </ul>

	<p><i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p><b>Level 1 (5-1 marks)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis and evaluation of a possible operations strategy for Lidl's Estonian expansion <i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<ul style="list-style-type: none"> <li>• Stock control</li> <li>• Use of technology</li> <li>• Quality standards</li> <li>• Supply chain management</li> <li>• Distribution management</li> <li>• Logistics, transport and infrastructure generally</li> <li>• Warehousing</li> <li>• Location</li> <li>• External influences on operations management, e.g. environment</li> </ul> <p><b>Exemplar response:</b> As an initial operational objective, Lidl should set itself the target of setting up a handful of stores in or around the capital city – along the lines of what it did in Serbia. The evidence would suggest that Estonia has some of the necessary infrastructure that Lidl needs – namely roads and telecommunications/internet. Essential will be this communication as it is likely to need overland supply via Latvia (according to the map) and it would be a big risk setting up a distribution centre straight away in Estonia. If this was the case then an integral part of Lidl's initial strategy would be to ensure its stores are supplied efficiently so that Lidl establishes itself as a grocer who is well stocked and at a decent price. In the early months this is essential, although there is no information regarding competitors and so it is difficult to judge just how important it is. Either way, a large supermarket needs regular and effective supply, particularly of perishable products – salad etc – which Lidl might source locally if it strongly believes in its environmental aims. If this is so then there is an extra, critical, part of Lidl's supply chain management that is going to need establishing from scratch, rather than just using suppliers in countries where Lidl already retails.</p> <p style="text-align: right;"><b>ARA</b></p>
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## APPENDIX 1 – GRID FOR 2020A EXAMINATION

Question	AO1	AO2	AO3	AO4	Total	Quantitative skills
1	1	1	4		6	
2	2	4	6	8	20	
3	2				2	
4	2	2	2		6	
5	2	2			4	
6a	1	1	1		3	3
6b		2			2	2
6c(i)	2	2			4	
6c(ii)	1	1	1		3	3
7	2	2	3	3	10	
8	2	4	6	8	20	
<b>Total</b>	17	21	23	19	80	8

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