

Markscheme

May 2015

Business and management

Higher level

Paper 1

21 pages

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The markbands on pages 3–6 should be used where indicated in the markscheme.

Section A			Level descriptors
Q1 (c)	Q2 (c)	Q3 (c)	
Marks 0–7			
0			<ul style="list-style-type: none"> • No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology.
1–2			<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No reference is made to the information in the case study.
3–5			<ul style="list-style-type: none"> • A description or partial analysis/examination with relevant knowledge and/or understanding of relevant issues, concepts and theories. • Some use of appropriate terminology. • Some reference is made to the information in the case study, not just to the name of the organization. • At the lower end of the markband responses are mainly theoretical.
6–7			<ul style="list-style-type: none"> • A balanced analysis/examination with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. • An analysis/examination that uses appropriate terminology throughout the response. • Explicit references are made to the information in the case study.

Section B	Level descriptors
Q4 (d)	
Marks 0–8	
0	<ul style="list-style-type: none"> • No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology.
1–2	<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No evidence of judgments and/or conclusions. • No reference is made to the information in the case study.
3–4	<ul style="list-style-type: none"> • A description with some knowledge and/or understanding of relevant issues, concepts and theories. • Some use of appropriate terminology. • No evidence of judgments and/or conclusions. • Some reference is made to the information in the case study, not just to the name of the organization. • The response is mainly theoretical.
5–6	<ul style="list-style-type: none"> • A response with relevant knowledge and understanding of relevant issues, concepts and theories. • A response that uses relevant and appropriate terminology. • Evidence of judgments and/or conclusions that are little more than unsubstantiated statements that has balanced analysis and demonstrates understanding. • Explicit references to the information in the case study are made at places in the response.
7–8	<ul style="list-style-type: none"> • A response with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. • A response that uses appropriate terminology competently throughout the response. • A response that includes judgments and/or conclusions that is well supported and underpinned by a balanced analysis. • Explicit references to the information in the case study are made throughout the response.

Section C	Level descriptors
Q5 (d)	
Marks 0–9	
0	<ul style="list-style-type: none"> • No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology.
1–3	<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No reference is made to the information in the case study and/or the extension material within Section C.
4–6	<ul style="list-style-type: none"> • A description or partial analysis/examination with relevant knowledge and/or understanding of relevant issues, concepts and theories. • Some use of appropriate terminology. • Some reference is made to the information in the case study and/or the extension material within Section C, not just to the name of the organization. • At the lower end of the markband responses are mainly theoretical.
7–9	<ul style="list-style-type: none"> • A balanced analysis/examination with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. • An analysis/examination that uses appropriate terminology throughout the response. • Explicit references are made to the information in the case study and/or the extension material within Section C.

Section C		
Q5 (e)	Level descriptors	
Marks 0–12		
0	<ul style="list-style-type: none"> • No knowledge or understanding of relevant issues, concepts and theories. • No use of appropriate terminology. 	
1–3	<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues, concepts and theories. • Little use of appropriate terminology. • No evidence of synthesis of information from the case study, the extension material in Section C and, where applicable, from other responses within Section C. Information is merely lifted and copied into the response. • No evidence of judgments and/or conclusions. • No reference is made to the information in the case study and the extension material within Section C. 	
4–6	<ul style="list-style-type: none"> • A description with some knowledge and/or understanding of relevant issues, concepts and theories. • Some use of appropriate terminology. • No evidence of synthesis of information from the case study, the extension material in Section C and, where applicable, from other responses within Section C. Information is merely lifted and copied into the response. • Evidence of judgments and/or conclusions that are no more than unsubstantiated statements. • Limited reference is made to the information in the case study and the extension material within Section C. • The response is mainly theoretical. 	
7–9	<ul style="list-style-type: none"> • A response with relevant knowledge and understanding of relevant issues, concepts and theories. • A response that uses appropriate terminology. • At places in the response information from the case study, the extension material in Section C and, where applicable, from other responses within Section C is (synthesized and) integrated to provide a basis for analysis and evaluation. • A response that includes judgments and/or conclusions that have limited support and are underpinned by a balanced analysis. • Explicit references to the information in the case study and the extension material within Section C are made at places in the response. 	
10–12	<ul style="list-style-type: none"> • A response with accurate, specific, well-detailed knowledge and understanding of relevant issues, concepts and theories. • A response that uses appropriate terminology competently throughout the response. • Information from the case study, the extension material in Section C and, where applicable, from other responses within Section C is proficiently (synthesized and) integrated to provide a basis for analysis and evaluation. • A response that includes judgments and/or conclusions that is well supported and underpinned by a thorough and balanced analysis. • Explicit references to the information in the case study and the extension material within Section C are made throughout the response. 	

Note to examiners: do not penalize candidates for the use of “LadyA” or “Alejandra” interchangeably in their responses.

Section A

1. (a) (i) Define the term *mission statement* (line 11). [2]

A mission statement is a statement of a business’s core value/aim and it is phrased in a way that will motivate the employees and attract the interest of external stakeholders.

N.B. disregard reference to “short term” / “long term” and allow descriptions which are more appropriate to vision statement.

Candidates are **not** expected to word their definition **exactly** as above.

Award [1] for a basic definition that conveys partial knowledge and understanding. Such as mission statement is a statement of a business’s core value/aim.

Award [2] for a full, clear definition that conveys knowledge and understanding similar to the answer above.

- (ii) Identify **two** fringe payments, **other than** health insurance, which Mrs Carroccio may have received from the school. [2]

Fringe payments which Mrs Carroccio may have received include: meal packages / lunch vouchers / coupons, free meal or discounted meal (which is very likely, as she works in the cafeteria); free uniform; free transportation / use of school bus / discounted bus pass (and similar wording); childcare; free English classes; further/higher education classes for herself in a local college; maternity leave; school fees for young Alejandra etc.

It is not possible to write an exhaustive list of acceptable answers – examiners will have to use their professional judgment.

However, do **not** accept:

- Dental insurance / dental plan (too similar to “health insurance”).
- Unrealistic examples (“company car”, “free accommodation”, “laptop”, “mobile phone” as Mrs Carroccio has a low-paid job in the cafeteria, it is unlikely that she is offered free accommodation on the school grounds, unlike the school director: the example has to be plausible in the context of the case study).
- Vague answers (“discounts for family members” which is too vague and should be further contextualized; “access to school facilities” which is also too vague – *however* accept “free membership of school gym” or “free access to the school swimming pool”); paid vacation (does this mean a paid vacation package?).
- Cash benefits: overtime, bonuses, share-ownership scheme.
- Training: (which is in the case study: “she received training and some fringe payments...” line 13; the question is designed to assess candidates’ knowledge and understanding of what fringe payments may be).

- Repetitive answers: for “free food for herself and for family members” award **[1]**, not **[2]**.

It is not possible to write an exhaustive list of non-acceptable answers – examiners will have to use their professional judgment.

In some ambiguous cases, examiners may want to give “BOD” (or “NBOD”).

*Award **[1]** for each relevant and correct fringe payment (non-cash benefit) identified for Mrs Carroccio, award up to a maximum of **[2]**.*

- (b) **Other than** financial security, explain **one** advantage and **one** disadvantage of Mr Carroccio operating as a sole trader (line 5).

[4]

Advantages for Mr Carroccio of operating as a sole trader could include:

- Total ownership and control of his business, where he is his own boss, not requiring to consult with others before making decisions or share the profits.
- Simplest form of organization with fewer legal restrictions for setting up the business.
- Freedom to choose his own holidays, hours of work, prices to be charged, who to employ *etc.*
- *Accept any other relevant advantage applied to / in context of Mr Carroccio.*

Disadvantages for Mr Carroccio of operating as a sole trader could include:

- Unlimited liability, a sole trader’s business is not considered as a separate legal unit and therefore his personal possessions are at stake if the business cannot pay its debts.
- Limited capital/resources for set up, internal growth and for spending in general. Must largely rely on his own savings and resources, banks are often reluctant to loan to these businesses (Mr Carroccio being turned down several times for bank loans, see line 8)
- Limited pool of ideas and limited experience.
- Must bear the financial risks of the business and all losses on his own. “Sole” refers to the fact that the entrepreneur is the only owner without business partners, though they may employ other people.
- There is no continuity of the business after the death of the owner.
- *Accept any other relevant disadvantage applied to / in context of Mr Carroccio.*

N.B. *context of Mr Carroccio is likely to come from limited finance, being new to the country, bank loan refused, and desire to work independently. If the disadvantage is unlimited liability, award **[2]** when there is a good explanation.*

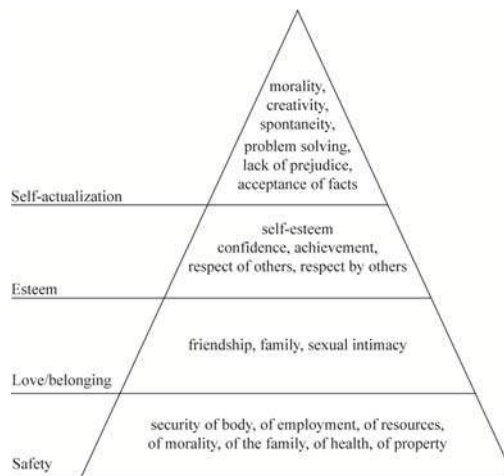
Mark as 2 + 2.

*Award **[1]** for each correct and relevant advantage / disadvantage identified and **[1]** for an appropriate explanation, showing why it is an advantage / disadvantage. Award up to a maximum of **[2]** for each advantage / disadvantage.*

(c) Analyse the relevance of Maslow's motivation theory to Alejandra.

[7]

Maslow's Pyramid:



[Source: Clark, P. *et al.*, 2009, *Business and Management Course Companion*, page 125, Glasgow, U.K. Oxford University Press]

As young Alejandra approached eighteen, she may have experienced higher-order needs – self-esteem needs, recognition, status. She had several sources of income from CD album sales, concerts, magazine covers and music videos – physiological and safety needs were met. Belonging needs may have been met through her popularity with fans.

One of the future strategic options suggested by *K&J* could probably allow Alejandra to meet self-actualization needs. These would also generate new streams of revenue for Alejandra.

Candidates could be rewarded for answering how Alejandra could use Maslow to motivate her employees.

Accept any other relevant application / analysis.

N.B. *candidates are not expected to draw the model itself.*

If there is only development / analysis of one level of Maslow, award a maximum of [4].

For answers with no effective use of the case study award a maximum of [3].

Marks should be allocated according to the markbands on page 3.

2. (a) Define the following terms:

(i) *quality control* (line 115);

[2]

Quality control refers to systems in place at a business to check whether that level of quality has been achieved. It can involve sampling, inspection and checking of quality. It is usually carried out on the product/service rather than the process itself.

*Candidates are **not** expected to word their definition **exactly** as above.*

Award [1] for a basic definition that conveys partial knowledge and understanding.

Award [2] for a full, clear definition that conveys knowledge and understanding similar to the answer above.

(ii) *workforce planning* (line 122).

[2]

Workforce planning refers to the forecast of future human resources, especially in terms of recruitment and training. It normally involves assessing the current workforce and identifying future needs for new skills, or knowledge, in order to help the organization meet its strategic objectives.

*Candidates are **not** expected to word their definition **exactly** as above.*

Award [1] for a basic definition that conveys partial knowledge and understanding.

Award [2] for a full, clear definition that conveys knowledge and understanding similar to the answer above.

*Award a maximum of [1] if the answer is **only** about matching employees to jobs.*

- (b) Using information from lines 120–124, explain **two** possible relevant effects, **other than** “employees complained less”, of changing the organizational structure. **[4]**

Possible effects of changing the organizational structure:

- Better decisions for the business can be made as the Managing Director and Human Resources Manager are specialized in their roles.
- Less employees to manage allows Alejandra time to concentrate on the work that she is involved with and hence carry out her work better.
- Delegating some business functions could make employees/staff feel empowered and hence more motivated.
- Alejandra could feel less in control as she is not managing the majority of staff herself.

Mark as 2+2.

Award [1] for each appropriate effect identified and [1] for an appropriate explanation in context of the case study. Award up to [2] for each effect.

Context is likely to come from raising issues such as:

- previous poor communication
- change to limited company
- change of leadership style
- creation of new roles, such as Human Resources Manager.

- (c) Analyse **two** methods of market research that Alejandra could have used to help her establish her brand (lines 111–112).

[7]

Market research is the process of systematically gathering, recording and analysing data about customers, competitors and the market. With market research Ruth Liebermann, through focus groups (a primary market research method), learnt that some English speakers in the US did not like the name “Lady Alejandra” and were unable to make an association with it; therefore Ruth suggested adopting the new name *LadyA*.

The purpose of market research was to help Ruth make better business decisions about the development and marketing of new products. Market research represents the voice of the target market. A list of questions can be answered through market research.

Primary market research methods (first hand and gathered for a specific purpose) could include:

- Questionnaires / surveys: these may include closed or open-ended questions. For example, “do you subscribe to magazines, which ones?” “What type of music would you like?” Questions may be both qualitative as well as quantitative. Gathering opinion in order to design and modify products, *LadyA* and the merchandise to meet preferences.
- Observation: observers “watch” consumers in stores – how readily they notice the CD albums displayed, which magazines they buy; how much time they take in making spending decisions.
- Focus groups: a group of customers brought together to form a panel, to discuss and answer questions prepared by market researchers (example above).

Secondary market research methods (desk research / secondhand data gathered for a different purpose) could include:

- Government data eg census: US demographics and the shift – expanding Spanish-speaking American market, English speakers, Hispanics, number of teenage girls and women in the population. Growth rates, income trends
- Company data, past records, eg accounts, sales data
- The media
- Internet
- Trade organizations
- Competitor data / records, eg sales data.

Allow “methods” to be interpreted as questionnaires, focus groups and so on. The two do not have to be related to primary / secondary. The relationship to “brand” could come from exploring customers and their perceptions.

Accept any relevant analysis.

N.B. do not credit sampling, or sampling methods.

If the answer does not refer to the case study award a maximum of [3].

If there is no reference to “brands” award a maximum of [5].

Marks should be allocated according to the markbands on page 3.

3. (a) Describe the relationship between “opening balance” and “closing balance” in a cash-flow forecast (line 7). [4]

The opening balance is the cash in a business at the beginning of a time period.

The closing balance is the cash in a business at the end of a time period.

Closing balance = opening balance + forecast cash in – forecast cash out.

The closing balance for one time period is the opening balance for the next time period.

N.B. no need to refer to the formula to show full understanding.

Award [1] for each valid element of the answer, up to a maximum of [4].

- (b) “Alejandra needed an accountant to help her prepare her final accounts” (lines 35–36). Explain the importance of final accounts to **two** different *LadyA* stakeholders. [4]

- For owner *LadyA*: to determine the level of profit made from various streams /sources, to determine the most profitable sources and the weaker ones. To determine her total net worth / net assets.
- Government: for taxation purposes (net profit before interest and tax).
- Malaysian manufacturer (perfumes and cosmetics) would be interested in the liquidity ratios: *LadyA*'s ability to pay the 40% balance.
- Employees: *LadyA*'s ability to pay the wages, working conditions, fringe benefits.
- Managers: to maintain and control costs within budgets.
- Fans / customers: little or no usefulness.

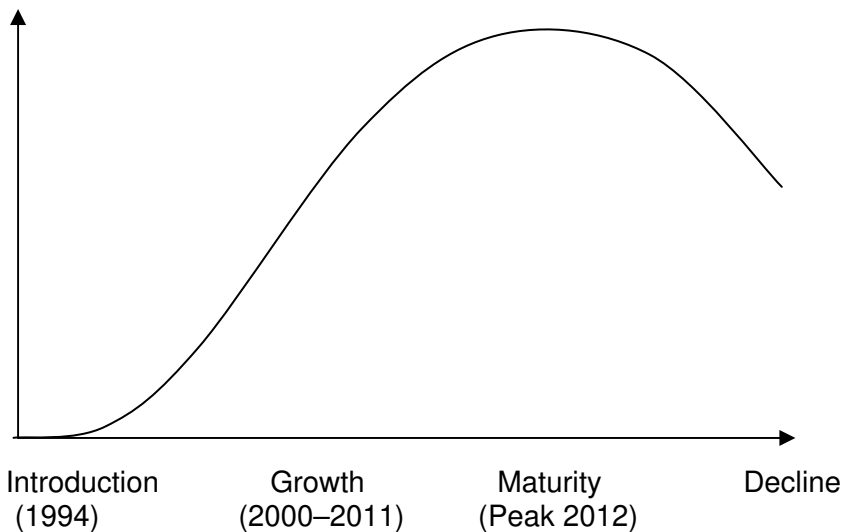
Accept any other relevant stakeholder and explanation.

Mark as 2+2.

Award [2] for theory of what are final accounts / stakeholders and [2] for application of final accounts to two different but relevant stakeholders. Award a maximum of [4].

(c) Analyse the usefulness to *LadyA* of the product life cycle model since 1994.

[7]



1994 – Introduction of *Lady Alejandra* in the film *La Bella Rosa* (**introduction phase**).

2000 – one of the most successful musicians in the US.

2001 – millions of dollars earned through CD album sales, concerts, magazine covers and music videos

2009 – engaged in promotion / endorsements

2010 – her own product line of perfumes and cosmetics

Approximately, the years from 2000 can be shown as **growth phase**.

2012 – was the **peak (maturity phase)** of her media power, wealth and fame (began planning for extension strategies through *K&J*, in order to prevent the **decline phase**).

Knowing the stages of the product life cycle can help a business plan the appropriate marketing mix and the right marketing strategies. It helps identify how cash flow may depend on the product life cycle, which will be at its highest peak in 2012; *LadyA*'s business may also experience economies of scale.

It can identify the need for extension strategies adopted by a business to prevent sales from falling, in order to push sales further; it intends to prolong the maturity phase of the product life cycle. For example, *K&J* were hired to identify extension strategies.

Disadvantages include:

- not always reliable
- do not know where you are
- good concept, but poor in practice.

Accept any other relevant application.

N.B. candidates are not expected to draw the diagram nor write about the events chronologically as above.

For answers without effective use of the case study award a maximum of [3].

If the answer lacks balance award a maximum of [5].

*If the response only develops LadyA's product life cycle award a maximum of [4].
The question is about the "usefulness".*

Marks should be allocated according to the markbands on page 3.

Note to examiners: do not penalize candidates for the use of “LadyA” or “Alejandra” interchangeably in their responses.

Section B

4. (a) Describe **two** benefits for LadyA of outsourcing the production of perfume and cosmetics to Malaysia (lines 113–114). [4]

The possible benefits could include:

- cheaper wages
- other lower costs
- established producer
- batch production allows greater variety
- she could focus on core competencies.

Accept any other relevant benefit with a description.

Mark as 2+2.

Award [1] for identifying a relevant benefit, award an additional [1] for the description that refers to the Malaysian situation, for example lower wages (BOD). Award up to a maximum of [2] per benefit.

- (b) Explain how expensive internet videos that “did not generate any direct revenue” (line 101) contributed to LadyA’s marketing mix. [4]

It is an example of a “loss leader”.

With the advent of social media and other technological developments it became impossible to generate so much revenue from sales of CD albums and associated videos.

The marketing attention switched to transforming singers such as Alejandra into media personalities. Revenue was then generated by, for example, endorsing products, selling her own products, concert tours and so on. Each of these needed the focus to be on a “presence” for the brand.

Such a focus could be enhanced through high profile exposure through social media sites. Directly it cost a lot to produce the internet videos, but the publicity and exposure generated could create, indirectly, even more revenue.

Accept any other relevant explanation.

Award [1] for a basic answer that shows some knowledge of the concept of marketing/promotion/loss leaders (for example, an answer that lacks clarity or shows some confusion).

Award [2] for an answer which shows knowledge and understanding of marketing/promotion/loss leaders, however, with no useful reference to LadyA.

Award [3] for an answer which clearly explains the concept of promotion through non-revenue generating activities, with limited effective application to LadyA.

Award [4] for an answer which clearly explains how non-revenue internet videos can aid LadyA’s marketing.

If the response is not related to LadyA/Alejandra, award a maximum of [2].

- (c) Explain the role of branding for *LadyA* in a global market. [4]

Branding is the marketing practice of creating a name, symbol or design that identifies and differentiates a product in the mind of the customer.

For *LadyA*, the product is entirely about the name and Alejandra's talents. Her market is worldwide. So the product is also the brand. The brand also applies to a range of products all under the same name so it is family branding.

The role is to keep her fans happy, informing them of developments and creating new fans/sales. It is also about giving a high profile to the various merchandise and planned merchandise.

In a global market the brand has to appeal to people of different cultures, language, fashions and this could be difficult.

Accept any other relevant explanation.

Award up to [2] for an understanding of the role of branding / global markets. Award an additional [2] for application of the concepts to LadyA. Award up to a maximum of [4].

If there is no reference to global market award a maximum of [3].

- (d) Discuss whether the effectiveness of Alejandra's leadership style is the result of natural skills and abilities, or a consequence of the circumstances she faced. [8]
- To begin with she was very autocratic and, other times, adopted a laissez-faire style. At this time she showed great inconsistencies.
 - As she matured, she softened her leadership style, becoming more consistent and paternalistic, perhaps learning new skills as she went on.

Skills and abilities:

In terms of her natural skills and abilities, Alexandra is a performer and there is some evidence that she has a high opinion of herself. She is clearly highly talented and “driven”. To an extent this explains her autocratic nature. Also, performers are often known for having a somewhat “erratic” creative side to their character which might explain her inconsistencies. Skills changed over her life.

Circumstances:

- In part, the change was brought about following a re-organization in which a Managing Director and a Human Resources Manager took on a lot of the responsibilities. This was related to incorporation of the business.
- However, personal circumstances, too, changed as she got older and as she married. So as she matured so did her leadership style.
- In later life, however, it seems to be more her circumstances driving her leadership – more content through success and marriage and more mature through passing years.

Accept any other relevant response.

It does not matter what conclusions candidates reach at the end of their discussion (ie whether they conclude it is skills/abilities, or circumstances driving the leadership style) however, for the highest markband there has to be an overall, balanced conclusion.

If a response is purely theoretical award a maximum of [4].

*If the response is a one-sided discussion that only looks at natural skills and abilities **or** circumstances faced, award a maximum of [5].*

If there is no balanced conclusion award a maximum of [6].

Marks should be allocated according to the markbands on page 4.

Note to examiners: do not penalize candidates for the use of “LadyA” or “Alejandra” interchangeably in their responses.

Section C

5. (a) Identify any **two** factors, **other than** technology, that caused *LadyA*'s objectives to change. [2]

Factors that caused *LadyA*'s objectives to change could include:

- ageing (eg Alejandra reaching maturity)
- fashion
- new markets (eg Hispanics)
- growth (needed objectives relating to organization structures)
- having a baby
- changing ownership to limited liability
- personal crisis
- reading “*The Road Less Traveled*” (Item 1)
- *accept any other relevant factor.*

Award [1] for each relevant factor identified, up to a maximum of [2].

- (b) Using information from Item 2, calculate the predicted outcomes x and y of strategic **Options 1 and 2** (*show all your working*). [4]

Option 1 Predicted outcome = $((0.90 \times 50) + (0.10 \times 2.5) - 10) = 45 + 0.25 - 10 = \35.25m

Option 2 Predicted outcome = $((0.75 \times 200) - (0.25 \times 50) - 25) = 150 - 12.5 - 25 = \112.5m

Mark as 2+2.

N.B. do not penalize for omission of \$ / m.

If there is an attempt made at using correct numbers award [1].

Award [1] for working and [1] for the correct answer. Award a maximum of [2].

- (c) Explain any **one** of Porter's five forces that have had an impact on *LadyA*. [3]

Porter's five forces could include:

- new market entrants: younger, new female musicians
- threat of substitutes / technology: fashion, trends, MP3s, social media
- supplier power: new markets to be exploited
- competitive rivalry: differentiation
- buyer power: may not be relevant.

Accept any one of Porter's five forces with a relevant explanation.

Award [1] for demonstrating an understanding of one of Porter's five forces.

Award [2] for a partial explanation of one force with reference to LadyA.

Award [3] for an explanation of one force with reference to LadyA.

- (d) Examine **two** driving and **two** restraining forces that have influenced changes at *LadyA Management Limited (LAM)*.

[9]

Driving forces include:

- Alejandra's ambition, success, ageing
- population changes
- parents' ambitions
- *accept any other relevant driving force.*

Restraining forces

- employees attitudes
- Alejandra's early fear of change
- English speakers' attitude to Spanish
- possibility of endorsing poor products
- *accept any other relevant restraining force.*

Accept any relevant examination of the driving and restraining forces identified.

N.B. *some issues for example pregnancy can be classified as either a driving or a restraining force.*

Each force identified should be analysed to show the influence that it has had on the development of LadyA / LAM.

For an answer that identifies relevant forces, but with limited development, award a maximum of [4].

*For an answer that is limited to either driving forces **or** restraining forces, award a maximum of [5].*

*For a response that makes no attempt to balance driving **and** restraining forces, award a maximum of [6].*

For a theoretical response, award a maximum of [4].

Marks should be allocated according to the markbands on page 5.

- (e) Using your answers to part (b), information contained in the case study and Items 1 to 3, discuss *LadyA's three* strategic options now that Alejandra is having a baby.

[12]

*It should be recognized that, given time constraints, answers are likely to include a **much** narrower range of issues and concepts than identified below. There is no "correct" answer.*

Examiners must be prepared to award high marks to answers which synthesize and evaluate even if they do not use all the stimulus materials.

Option 1: Move into South American markets.

- Existing product, new market: medium risk, high probability of success.
- Middling EV, some return from "failure".
- Big market.
- New market for CD albums, films *etc.*
- Baby creates complications. How much does she want to be with baby?
- What changes needed to the "product"?
- Is this the right thing to do at her age? Fragile career.
- What impact would a baby have on her image?

- How would the US market react?
- Outcome of decision tree. How realistic are assumptions?
- Martha Stewart experience relevant?

Option 2: Develop more products under the *LadyA* brand and develop a global market.

- Product development and new markets, high risk? But high returns if EV to be trusted.
- Failure means a loss, and it is a fair chance (25%) that will happen.
- Massive new market, huge and rapid growth.
- New distribution channels needed for international market. How difficult?
- US market would continue to form a good base.
- Expertise for e-commerce? What about e-commerce for **Option 1**?
- Outcome of decision tree. How realistic are assumptions?
- Martha Stewart experience relevant?

Option 3: Re-brand herself

- Very high risk, but smallest of returns if EV to be trusted.
- Probabilities only 50:50.
- Loss of revenue for significant period.
- Fits in with pregnancy/motherhood.
- Would it work?
- Would fans think of it as cynical?
- What would happen to her employees and other infrastructure?
- Outcome of decision tree. How realistic are assumptions?
- Fits in with notions of spiritual growth and pain in change (M Scott Peck).
- How important is self-esteem/actualization to Alejandra?

Accept any relevant discussion of any relevant points.

It does not matter which way the candidate argues.

N.B. *a recommendation is not necessary, but there needs to be balanced judgments in the arguments to achieve the highest marks.*

If the answer refers to fewer than three options award a maximum of [7].

If the answer does not use Items 1, 2 or 3 award a maximum of [5].

For an unbalanced answer, award a maximum of [9].

Each option is discussed, but not compared with each other, award a maximum of [8].

Marks should be allocated according to the markbands on page 6.