

Markscheme

May 2023

Business management

Standard level

Paper 1

13 pages

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The markbands and assessment criteria on pages 3–4 should be used where indicated in the markscheme.

Section A			Level descriptor
Q1 (b)	Q2 (b)	Q3 (b)	
Marks			
0			
1–2			<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues and business management tools (where applicable), techniques and theories. • Little use of business management terminology. • Little reference to the stimulus material.
3–4			<ul style="list-style-type: none"> • A description or partial analysis of some relevant issues with some use of business management tools (where applicable), techniques and theories. • Some use of appropriate terminology. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • At the lower end of the markband, responses are mainly theoretical.
5–6			<ul style="list-style-type: none"> • An analysis of the relevant issues with good use of business management tools (where applicable), techniques and theories. • Use of appropriate terminology throughout the response. • Effective use of the stimulus material.

Section B Q4 (d)	Level descriptor
Marks	
0	The work does not reach a standard described by the descriptors below.
1–2	<ul style="list-style-type: none"> • Little understanding of the demands of the question. • Few business management tools (where applicable), techniques and theory are explained or applied and business management terminology is lacking. • Little reference to the stimulus material.
3–4	<ul style="list-style-type: none"> • Some understanding of the demands of the question. • Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used. • Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization.
5–6	<ul style="list-style-type: none"> • Understanding of most of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • Some evidence of a balanced response. • Some judgments are relevant but not substantiated.
7–8	<ul style="list-style-type: none"> • Good understanding of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used. • Good reference to the stimulus material. • Good evidence of a balanced response. • The judgments are relevant but not always well substantiated.
9–10	<ul style="list-style-type: none"> • Good understanding of the demands of the question, including implications, where relevant. • Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response. • Effective use of the stimulus material in a way that significantly strengthens the response. • Evidence of balance is consistent throughout the response. • The judgments are relevant and well substantiated.

Section A

1. (a) Outline possible different interests of **two** external stakeholders arising from SVT's Outreach Programme (lines 96–115) **[4]**

External stakeholders could include: Government, suppliers, customers and consumers, local community, financiers, pressure groups, the media, NGOs, charities.

In this instance:

- **People** in less economically developed countries (LEDCs) would receive **free skilled labour**;
- **NGOs** would get **support** and **cooperation**;
- **customers** might benefit from **new products** that might arise from the programme eg WF15;
- possible **suppliers** for future **distribution channels**;
- the **media** might view **SVT in a better light** – important because of adverse publicity;
- **lower profits** might impact on potential **investors**;
- local people/**communities**: would **receive training**;
- school **education, infrastructure** would be repaired.

N.B. shareholders and the winner of the competition are not considered as external stakeholders.

Accept other relevant stakeholder and interests in context.

Mark as [2] + [2].

Award [1] for each correct external stakeholder identified and [1] for a description of how that stakeholder's interests are affected by the outreach programme. Award a maximum of [2] per stakeholder.

- (b) Explain the factors that SVT should consider when deciding on a marketing strategy for the WF15 water purifier (lines 116-138). [6]

Factors include:

- market research carried out;
- marketing budget available;
- aspects of the 4 P's.

Product:

- **winning design**;
- produces sufficient potable water;
- meets **WHO standards**.

Place

- **not yet decided**;
- would need to be able to **deliver to remote places**;
- use of **agencies overseas?**;
- **no existing distribution channel**;
- **little experience** of distributing consumer products in LEDCs.

Price

- **under discussion** but one proposal is not-for-profit;
- pricing strategy not yet agreed;
- impact on **other products?**;
- can SVT afford this?;
- **subsidize product?** Affordable for families versus unhappy stakeholders?.

Promotion

- **choice of media** is important, few newspapers read, few televisions owned;
- however large and growing **use of social media**;
- can use the **CSR** aspect in general promotion for the business.

Candidates are not required to follow a 4P's approach and may use different parts of the course to answer this question. Finance, staffing etc. could be valid factors to consider.

Accept any other relevant factor and explanation.

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

Award a maximum of [3] for a theoretical answer.

Award a maximum of [4] if the explanation is limited to one factor.

Award a maximum of [5] if the explanation is mainly descriptive, but in context.

2. (a) Outline **two** possible economies of scale that are likely to have been achieved through the takeover of *H4* (lines 49–81).

[4]

Possible economies of scale include:

Technical: Does the businesses have better technology? Would it be cheaper to install technology across a range of businesses?

Managerial: Perhaps it reduced the number of managers needed. Managers **specialize** in one job. They can work with greater **efficiency**;

Financial: The businesses taken over were small so maybe not much power in financial markets, but the **combined size might be significant**. Bigger businesses are **less risky** than smaller businesses. Banks will charge lower rates of interest on loans and overdrafts;

Marketing: We don't know much about how the products are promoted. We do know there's a **significant marketing budget** which needs to be spread over a wider range of products. They can direct more effective marketing campaigns.

Purchasing: Do the various firms share similar raw materials? **Bulk buying**;

Risk bearing: **Fewer competitors**, lower risk? They spread the risk of one product failing.

Mark as [2] + [2].

Award [1] for each economy of scale identified and [1] for an outline of how that economy of scale relates to SVT PLC. Award a maximum of [2] per economy of scale.

- (b) Explain the advantages of organizing SVT into divisions based on product (lines 10–14).

[6]

Possible **advantages** include:

- **decisions** can be made **quicker** eg Yannick’s quick response to a crisis;
- **leadership** style can be chosen to **suit needs** eg Ariadne versus Yannick;
- each **division** will have its **own areas of expertise** and it will be easier to ensure these skills are focused where needed eg Consumer Products will probably need people able to undertake consumer market research and have marketing and sales experts;
- **customers** will know **where** in the organization **to seek help and advice** eg potential customers seeking desalination equipment will have immediate links with the Desalination Division;
- it may be **easier to focus finance and other support** to areas where it is most needed eg if a new major project is to be undertaken, the Engineering Division might be the key focus.

Accept any other relevant advantage and explanation.

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

Award a maximum of [3] for a theoretical answer.

Award a maximum of [4] for an answer that limits explanation to one advantage.

Award a maximum of [5] if the explanation is mainly descriptive, but in context.

3. (a) Outline **two** steps in the recruitment process for the 300 new employees needed for the former *H4* factories (lines 65–72).

[4]

Steps include:

Identification: of job role:

- doing a job audit;
- preparing job description;
- person specification.

Attracting applicants

Applications:

- job advertisement;
- application forms designed, circulated, received;
- recruitment by business or agency?

Selection:

- shortlisting;
- testing;
- interviewing.

Candidates can be rewarded for identifying any of the main headings or the sub-headings. These ideas can be contextualized by reference to the facts that:

- **300 vacancies** to fill is a large number;
- the vacancies are for **highly skilled people**;
- there are a **few** such highly **skilled people available**;
- range of skills needed, so **recruitment** may have to be spread over a **variety of methods**;
- the HR department should **choose carefully where to advertise** the vacancies;
- **teamwork** necessary: may require testing;
- there may **not** have been **sufficient suitable applicants in UK** alone;
- **recruitment methods** to be decided (interviews, tasks, tests, etc.): what **cost?** What might be best method for selecting?

***N.B.** Do not accept any form of training including induction.*

Mark as [2] + [2].

Award [1] for each correct step identified and [1] for a description of how that step relates to SVT. Award a maximum of [2] per step.

- (b) Explain suitable sources of finance that SVT may have used when taking over the small water filter manufacturers in Europe and the United States of America (USA) (lines 91–92).

[6]

SVT is a public limited company so a range of sources could include:

- **Loans/mortgages/bonds/debentures** etc. business is profitable, works well, banks and other investors may want to lend with favourable conditions (interest rates, terms, favourable conditions for collateral etc.);
- **share** issue: conditions are good for a share issue: PLC, good reputation, sound profits successful business;
- **profits**: are there any retained profits not yet spent? Sufficient for such a development?
- **Joint ventures/venture capital**: no real evidence that these are needed. Would they want it?

Accept any other relevant source of finance and explanation.

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

Award a maximum of [3] for a theoretical answer.

Award a maximum of [4] for an answer that limits explanation to one source of finance.

Award a maximum of [5] if the explanation is mainly descriptive, but in context. Eg if most of the context is mentioned but not developed.

Section B

4. (a) Define the term *quota sampling*.

[2]

Quota sampling: gathers data from a group or sub-group with a specified number (target) of participants (respondents) in each group or sub-group. Groups/sub-groups will have specific traits/characteristics.

Quota sampling involves **segmenting** a given **population** into a number of **groups** that share certain **characteristics** (mutually exclusive sub-groups) such as age and gender. Targets are then set for the number of people who must be selected in each segment.

One starts by dividing the population into mutually exclusive groups or sub-groups (called strata) and sample units are selected, until the quotas (targets) are reached.

N.B. no application required.

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 definition that conveys knowledge and understanding similar to the answer above.

- (b) (i) Calculate SVT's home water filter market share in 2022 (*show all your working*).

[2]

World market in 2022 = \$14bn

SVT's total revenue = \$4.9 bn

SVT's market share = (SVT's total revenue / World market in 2022) x 100 = (\$4.9 bn/14bn) x 100 = **35%**

Award [2] for working and a correct answer which must include the percentage sign (%) either in the final answer, or in the working.

Award [1] for some correct working but with an arithmetic error.

Do not reward formula only.

- (ii) Calculate the number of home water filters SVT sold in 2022 to the rest of the world (excluding Europe and the USA) (*show all your working*). [2]

SVT's sales are \$4.9bn

SVT's sales to Europe and the USA = 90% of SVT's total sales

SVT's sales to the rest of world = \$0.49bn (10% of total sales)

Average revenue earned per water filter = \$20

So, \$0.49bn/\$20 = **24.5m water filters**

Alternative answer:

\$490 000 000 / \$20 = **24 500 000 water filters**

Award [2] for working and a correct answer with the correct unit ("water filters" or "units" or "pieces" or "products") either in the final answer, or in the working.

Award [1] for some correct working (especially the 10% of total sales for "rest of the world") but with an arithmetic error.

- (c) Explain **two** factors that SVT would have needed to consider when deciding where to open the new factory in Asia.

[4]

Possible factors include:

- how do **rents** and cost of land compare between existing factories and Asia?
- how do **energy costs** compare (again high in US/Europe);
- what **management issues** are there, possibly with different cultures?;
- what would happen to **existing employees**?;
- main markets are outside Asia (90% of sales are in Europe and USA), so possible **logistical issues** (infrastructure, transport): **distance from suppliers and customers** so is this a sustainable model?;
- **availability** of sufficient **skilled labour** in Asia?;
- **legal** (law, tax) issues especially about pollution and the environment;
- support (or not) from the **government** (and the community) of the country where the new factory is located.

Accept any other relevant factor.

Candidates may use different parts of the course to answer this question, for example with external factors from a STEEPLE analysis, or considering the “business functions” (finance: costs; human resources: available workforce; operations: logistics etc.). All these approaches are fine. The question is about “opening a new factory in Asia”, not about selling and commercializing in Asia, so factors such as local demand, local competition and advertising are not relevant.

Mark as [2] + [2].

Award [1] for each relevant factor in context and an additional of [1] for an explanation linking that factor to SVT. Maximum 2 factors.

- (d) Discuss whether SVT should have increased the price of its home water filters. **[10]**

Possible arguments **in favour**:

- enabled them to **launch advertising campaign** which would potentially benefit millions;
- enabled some **filters** to be **provided free to charities** in LEDCs;
- **fits** in with SVT's **CSR ideas**;
- good for SVT's **reputation**;
- **80% of SVT's customers** in Europe and the USA have above-average incomes and **can afford the price increase** from \$20 to \$21.

Possible arguments **against**:

- many customers may **not be able to afford the increased price**;
- **sales might fall**;
- say lead to **lower profits**;
- **some directors disagree**.

Accept any other relevant arguments.

Marks should be allocated according to the markbands on page 4 with further guidance below.

*Theoretical answer or context limited to naming the business or lack of development max **[4]**.*

*Discussion of only one option marks limited to **[5]**.*

*Discussion but no clear balance **[6]**.*

*Options considered, good use of evidence, particularly from section B, but no effective conclusion award a maximum of **[8]**.*

*For **[10]** the answer needs to be clearly relevant to SVT with good use of context and a clear sense of whether or not SVT should have increased its prices.*