OXFORD AQA
INTERNATIONAL QUALIFICATIONS

INTERNATIONAL A-LEVEL

BUSINESS

BU03

Unit 3: Business Strategy

Mark scheme

June 2024

Version: 1.0 Final

246XBU03/MS

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from oxfordaqa.com

Copyright information

OxfordAQA retains the copyright on all its publications. However, registered schools/colleges for OxfordAQA are permitted to copy material from this booklet for their own internal use, with the following important exception: OxfordAQA cannot give permission to schools/colleges to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Copyright © 2024 OxfordAQA International Examinations and its licensors. All rights reserved.

How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study business in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about business. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
AO2	Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
AO3	Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

The marking grids

The specification has generic marking grids for each Assessment Objective that is customised with indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

Within each Assessment Objective there are three or four broad levels representing different levels of achievement. Do not think of levels as equivalent to grade boundaries.

The indicative content gives examples of the kind of things students might do that would exemplify the level. They are neither exhaustive nor required – they are simply indicative of what would appear at this level. You will find that they sometimes indicate areas of content that can be handled with increasing sophistication and subtlety. You will also find statements which only characterise work at the bottom or top of the range.

Depending on the part of the examination, the levels will have different mark ranges assigned to them. This will reflect the different weighting of Assessment Objectives in particular tasks and across the examination as a whole. You may be required to give different marks to bands for different Assessment Objectives.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level for an individual Assessment Objective. The number of marks per level will vary depending upon the number of marks allocated to the various Assessment Objectives covered by a particular question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it (as instructed below) to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level.
The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as in the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level; eg if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust. If there is a lot of indicative content fully identifiable in the work you need to give the highest mark in the level. If only some is identifiable or it is only partially fulfilled, then give the lower mark.

The exemplar materials used during standardisation will also help. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the lead examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the lead examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

In addition to the generic descriptors (presented in bold text), paper-specific indicative descriptors (presented in plain text) are provided as a guide for examiners. These are not intended to be exhaustive and you must credit other valid points.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in some questions more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

You should write a summative comment at the end for each Assessment Objective and indicate the marks for each Assessment Objective being tested at the end of the answer in the margin in sequence. It is vital that the way you arrive at a mark should be recorded on the script. This will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A **Total for this section: 40 marks**

Question	Part	Marking guidance	Total marks
1	**1**	Using the data in **Table 1**, calculate the gearing ratio for Zhao plc in 2023. 20% or 20 (3) If 2022 data is used correctly – 18.92 or 18.92% (2) Gearing formula: Non-current liabilities / Non-current liabilities + Total equity x 100 (1) 3 / 15 = 0.2 (1) 3 / 15 x 100 (2) Award (1) for 3 / 12 x 100 = 25% OFR applies	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
1	2	With reference to the Ansoff Matrix, analyse the risk involved for Zhao plc when developing the electric vehicle. **Indicative content** • Creation of a new electric car could be considered product development as it is the same consumers but a new type of car. Ansoff would categorise this as a medium risk as it would require investment in R&D into an unknown product area for Zhao. • It could be considered market penetration as they are familiar with the car market and the consumers they would be selling to. Ansoff would consider this the lowest risk as this wouldn't require much investment in market research or R&D. Credit valid alternative content. **Good response (4 marks)** Candidate can analyse the risk involved to Zhao plc (must use Ansoff). **Reasonable response (3–2 marks)** Candidate can analyse the risk (may use Ansoff) but is unable to effectively apply this to Zhao plc. **Limited response (1 mark)** Candidate shows some understanding of Ansoff or risk.	**4** **AO1 = 1** **AO2 = 1** **AO3 = 2**

Question	Part	Marking guidance	Total marks
1	3	Analyse **two** potential problems for Zhao plc when experiencing rapid growth.	**9** **AO1 = 2** **AO2 = 1** **AO3 = 6**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	7 – 9	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	4 – 6	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse two potential problems of rapid growth,
- linked to the case study (Zhao plc).

Indicative content

- Diseconomies of scale may set in. Zhao is already suffering from a lack of investment into new cars and falling revenue. This could force it to increase prices and become even less competitive against Kuai.
- Increased pressure on employees. The hierarchy is tall which could lead to pressure on those at the bottom of the hierarchy to produce more cars.
- Cash flow problems/Overtrading. Zhao may have to borrow $4billion to launch its turnaround plan. This could significantly increase its outgoings and result in it running out of cash. At a time of launching a new car, cash could be crucial.
- Management decision making may be more challenging due to the larger number of employees/taller hierarchy.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
1	**4**	The Marketing Director prioritised the shareholders (**Figure 1**) when making decisions regarding the turnaround plan. Was this a good idea? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.

3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.
2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse the arguments for and against prioritising shareholders in Zhao's turnaround plan,
- and make a justified judgement as to whether the shareholders should be prioritised.

Indicative content

Arguments for

- Shareholders may be needed to gain the $4billion investment to launch the turnaround plan.
- Most of the investment comes from shareholders (over 78%) so keeping them happy will be important to securing funds.
- If shareholders are prioritised, they feel happier and are less likely to sell shares. This increases the market capitalisation of the business making it easier for the business to raise future finance.
- The interest rate is 5%, which could result in cash flow problems for the business. Further shareholder investment wouldn't be required to be paid back.

Arguments against

- The gearing ratio of Zhao plc is low (only 20% – allow OFR) meaning it would be easy for it to borrow more money to launch the plan. The shareholders therefore may not be as important.
- It may be more important for Zhao plc to prioritise customers and find out what they want as the biggest reason for the strategic drift is lack of connection with changes in the market.
- The turnaround plan will require new ideas and creativity by staff; therefore, it may be better to prioritise them for example in terms of employee retention or training to encourage greater levels of innovation.

Potential judgement

- Whether Zhao plc can borrow the money to fund the turnaround plan (if the bank will lend to the business).
- The attitude to risk of the owners – the current gearing ratio is low however the owners may be unwilling to borrow any more.
- How much involvement the shareholders have in the day to day running of the business.
- The accuracy of the stakeholder map – created by the Marketing Director but we don't know experienced he/she is.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
1	5	Some directors of Zhao plc feel the biggest reason for the company's strategic drift is a lack of investment in new technology. Do you agree? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	7 – 9	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse whether a lack of investment in new technology was the biggest reason for the strategic drift at Zhao plc,
- and make a justified judgement as to whether the lack of investment was the biggest reason.

Indicative content

Arguments for

- Investment in new technology has resulted in Zhao continuing to produce petrol vehicles as opposed to electric vehicles as demanded by the market.
- Kuai has invested in and developed two new electric cars since 2020, suggesting this is a more successful strategy as consumers prefer more eco-friendly vehicles. Kuai's market share is increasing.

Arguments against

- The tall hierarchy would have slowed down decision making and communication in the business, making Zhao slow to adapt to market changes.
- Complacency by managers/ineffective leadership will have made them slow to pick up on changing market trends and conditions, resulting in strategic drift.
- Zhao has launched a new petrol vehicle which suggests that it is investing, just perhaps in the wrong technology.

Potential judgement

- Whether Zhao can borrow the money to fund the turnaround plan (if the bank will lend to the business).
- The attitude to risk of the owners – the current gearing ratio is low however the owners may be unwilling to borrow any more.
- The cost of borrowing; availability and quality of new technology etc.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Section B **Total for this section: 40 marks**

Question	Part	Marking guidance	Total marks
2	**1**	Using **Table 2**, calculate the Average Rate of Return (ARR) for Doubles if it invests in a new loyalty card. 3 or 3% (3) $1.344 - $1.2m = $144,000 / 4 = $36,000 / $1.2m x 100 = 3% Alternative method: 144/1200 x 100 = 12% over four years = 12/4 = 3% each year Error in calculation but correct process, award (2) Knowledge of ARR e.g. method (1) Award (1) for not subtracting the $1.2m—calculation $1.344 / 4 = $0.336m. 0.336/ 1.2 x 100 = 28% OFR applies	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
2	**2**	Some employees at Milsons are resistant to the merger. With reference to Kotter and Schlesinger, analyse **one** way that Milsons may overcome this resistance. **Indicative content** • Educating staff or participation in decision making: Milsons employees are members of a union which could make it easier to educate them on why the merger is taking place or including them in the decision making progress. • Facilitation and support: as Doubles has a different ethos, Milsons staff may need training/support to reduce their resistance to the change. • Manipulation: Milsons could identify a key member of staff and encourage others to agree with the change despite the fact it could result in redundancies. • Implicit or explicit coercion: this may be appropriate as the merger is likely to result in duplicate roles. Forcing the change through may be the only way for it to take place. Credit valid alternative content. **Good response (4 marks)** Candidate can analyse one way of overcoming resistance to change (must be linked to Kotter and Schlesinger) in the context of Milsons. **Reasonable response (3–2 marks)** Candidate can analyse one way of overcoming resistance to change (may be linked to Kotter and Schlesinger) but is unable to effectively apply this to Milsons. **Limited response (1 mark)** Candidate shows some understanding of overcoming resistance to change or Kotter and Schlesinger.	**4** **AO1 = 1** **AO2 = 1** **AO3 = 2**

Question	Part	Marking guidance	Total marks
2	**3**	Analyse **two** problems that the managers of Doubles may face when trying to change the culture of Milsons.	**9** **AO1 = 2** **AO2 = 1** **AO3 = 6**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	**7 – 9**	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse two potential problems Doubles may face,
- when trying to change the culture of Milsons.

Indicative content

- Culture can be difficult to change as it tends to be people's values/beliefs.
- Milsons has traditionally focused on high quality service, which is very different to the culture at Doubles which is much more focused on speedy service.
- As the third biggest café chain in Canada there is likely to be a large number of employees and therefore a lot of people to change the values of.
- Employees at Milsons are likely to be resistant to any changes due to the significant changes to their jobs/the business as they are merging with a larger company.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
2	**4**	If Doubles and Milsons merge, the owners of Doubles feel the biggest change to Porter's five forces will be the bargaining power of suppliers. Do you agree? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse whether the bargaining power of suppliers will be altered the most out of Porter's Five Forces if Doubles merge with Milsons,
- and make a justified judgement as to which force will be most affected by the merger.

Indicative content

Arguments for

- The bargaining power of suppliers for buying will be lessened due to the increased market power of the newly merged business.
- Doubles and Milsons would become the largest café in Canada, giving them the power to switch easily between different suppliers.
- Coffee, tea etc are commodities which may be widely available, meaning that the merged company is likely to have a lot of power, increasing with the larger market share.
- A café is likely to have a large number of different suppliers eg napkins, food, coffee, tea.

Arguments against

- Customers will have less choice meaning their power will be reduced, as there will be fewer varieties of coffee chain for them to choose from.
- Customers may remain most influential force. If the merged firm does not meet expectations of customer in terms of price, quality, environment then they will choose other coffee shops or not purchase.
- Intensity of rivalry in the industry will increase due to the fact the industry will become more concentrated and the two main coffee shops will be competing against each other.
- Threat of substitutes is likely to remain unaltered.
- Threat of new entrants is likely to be reduced as the newly merged businesses will have much greater market share, resulting in the biggest two coffee shops dominating 71% of the market. This will result in higher barriers to entry.

Potential judgement

- How many suppliers there are and if the company is in a contract which they are unable to get out of.
- Customers' ability to move from one coffee shop to another, for example the location of the rival coffee shop in Canada may be more convenient anyway, leaving this force unaltered.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
2	**5**	Rather than merging, some employees want the business to grow organically through the creation of a loyalty card. Is this a good idea? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding. • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse whether Doubles should grow organically or via a merger,
- and make a justified judgement as to whether a merger would be the best option for them.

Indicative content

Arguments for

- The loyalty card will support the current strategy of low cost and encourage customers to buy more coffee.
- Growing organically means increasing sales – the loyalty card will support with this.
- Merging can come with issues such as a culture clash – particularly as the businesses are quite different whereas organic growth wouldn't experience this.
- There would be no dilution of the ownership from the perspective of shares. As the bigger of the two businesses with 27% market share, the owners of Doubles may prefer to grow organically.

Arguments against

- Merging is a quicker solution and as the market is growing by 5% each year, it will give the business more opportunities to attract the new customers entering the market.
- It could benefit from increasing purchasing economics of scale, allowing for lower unit costs, which will support the strategy of cheaper prices.
- The newly merged business would be the market leader, allowing it to increase revenue and profit.
- As the businesses are merging as opposed to one taking over the other, it won't be as expensive to implement.
- The ARR of the loyalty card (organic growth) appears low at 3% – merging could generate a higher return.
- The staff from Milsons may bring new ideas to the business which could help it to become more successful.

Potential judgement

- How much additional profit Doubles anticipate could be made through the merger compared to the profit anticipated through the loyalty card.
- How accurate the data is for the loyalty card?
- If Doubles has seen an increase in market share over the years. If it is stagnant or falling, a merger may be a better option.
- Whether the staff at Milson's are open to the merger and adapt quickly to the change, as their resistance may limit or slow the success of the new business.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of the argument.

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1.1	1	2			**3**
1.2	1	1	2		**4**
1.3	2	1	6		**9**
1.4	2	2	2	6	**12**
1.5	2	2	2	6	**12**
2.1	1	2			**3**
2.2	1	1	2		**4**
2.3	2	1	6		**9**
2.4	2	2	2	6	**12**
2.5	2	2	2	6	**12**
Unit Total	**16**	**16**	**24**	**24**	**80**