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Cambridge International Advanced Subsidiary and Advanced Level

MARK SCHEME for the October/November 2014 series

9707 BUSINESS STUDIES

9707/13 Paper 1 (Short Answer/Essay), maximum raw mark 40

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1 (a) Market research is defined as the collection, recording and analysis of data about customers, competitors and the market in relation to the products and/or services of the business. Relevant examples e.g. primary or secondary can be awarded one mark.

- Partial definition **[1]**
- Full definition **[2]**

(b)
- Desk research (secondary) is the analysis of information that already exists – there are various sources of such information e.g. internet, commercial information organisations.
- Main purpose of desk research is to gain information and market intelligence on competitors – who, where and how many – economic trends – level and type of customer expenditure – number of households in the market.
- Considered to be a low cost approach to getting market information.
- Field research (primary) is new/first hand intelligence gathering by direct contact with an identified or targeted group of clients.
- Aims are to find answers such as: how often do customers purchase, how likely are they to purchase from you, are there enough customers to build a viable business.
- Main methods used in this type of research are face to face questioning, telephone research, postal surveys.

- Limited attempt to explain difference or a partial explanation of **one** concept. **[1]**
- Sound explanation of **one** concept or a partial explanation of **two** concepts. **[2]**
- Sound explanation of both concepts that clearly distinguishes/implies a difference between the **two** concepts. **[3]**

2 (a)
- A short definitional statement that will give a clear indication of each function is required
- Functions could include the traditionally accepted activities such as planning, controlling, directing, motivating, co-ordinating, objective setting.
- Functions could include Mintzberg categorisation, such as leader, disseminator, negotiator, resource allocator, and entrepreneur.

- Partial definition of **two** functions (e.g., list) or full definition of **one** function. **[1]**
- Full definition of **two** functions. **[2]**

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(b) – Candidates may use Maslow/Herzberg as a template for identifying worker needs.
– Physiological needs may be satisfied with competitive financial compensation.
– Physical health and job security needs may be satisfied with comprehensive benefits package.
– Belonging needs can be met with a rich culture that creates a friendly, welcoming organisation.
– Esteem needs can be met by providing rewarding and challenging work that builds respect from others, a sense of achievement and confidence in one's ability.
– Develop opportunities for career growth and leadership responsibility for self-actualisation needs.

- A limited general reference to needs satisfaction or a partial explanation of **one** way needs can be satisfied. **[1]**

- Sound explanation of **one** way or partial explanation of **two** ways needs can be satisfied. **[2]**

- Sound explanation of **two** ways needs can be satisfied. **[3]**

3 – Different stakeholders have different expectations, aspirations, and perceptions of what businesses should do and how they should act, e.g. owners, managers, employees, shareholders, suppliers, governments, communities.
– Conflict between stakeholders can occur in most kinds of business forms, e.g. partnership, plc, family owned, public corporation.
– Conflict can occur over a range of issues such as: profit/dividend distribution, compensation, investment decisions, social responsibility, product/service prices, location and environmental concerns.

- Limited explanation of stakeholders and/or possible conflict situations. **[1]**

- Some understanding of how stakeholder groups could conflict with a sound explanation of **one** set of stakeholders in conflict, or a limited explanation of **two** sets of stakeholders in conflict. **[2–3]**

- Sound explanation of **two** sets of stakeholder groups who may be in conflict. **[4–5]**

IMPORTANT NOTE

Candidates may interpret this question as

EITHER: `give two examples of areas of conflict between the same set of stakeholders` OR `give an example of conflict between two different sets of stakeholders`

BOTH INTERPRETATIONS ARE ACCEPTABLE AND SHOULD BE REWARDED APPROPRIATELY

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4 (a) Working capital relates to the short term financial health of a business. The finance available to pay for raw materials, day-to-day running costs, and credit offered to customers i.e. current assets – current liabilities.

- Partial definition **[1]**
- Full definition **[2]**

(b) – Revenue expenditure related to the cost of the day to day running of a business – such as wages, raw materials and the maintenance of fixed assets
– Capital expenditure is the purchase of assets that are expected to last for more than 1 year-generate profit in the future-bring long term advantage to a business such as machinery, vehicles. These will be depreciated over time.

- Partial explanation of **either** revenue **or** capital expenditure. **[1]**
- Sound explanation of only **one** of the concepts with an example or a partial explanation of the **two** concepts with limited examples, in an attempt to make the distinction. **[2]**
- Sound explanation of revenue and capital expenditure with good examples of both that make the distinction clear. **[3]**

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5 (a) – Price discrimination is when a business charges a different price to different groups of customers for IDENTICAL goods or services for reasons not associated with cost.
– A business must be able to segment the market and be able to keep the segments separate. Train companies identify customers with different demand elasticities and charge differential prices for tickets. Different groups of customers that can be kept apart such as students, older people, families, can be charged different prices for the same journey. Price discrimination provides opportunities for maximising revenue and boosting sales

- Analysis of the use and benefit of price discrimination in context of a train company **[7–8]**
- Good explanation of the use and benefit of price discrimination in context of a train company **[5–6]**
- Limited explanation of the use and/or benefit of price discrimination **[3–4]**
- Little understanding of price discrimination. **[1–2]**

(b) In response to **why** different pricing strategies could be adopted, the following points could be made.
– To reflect specific business/marketing objectives and strategies such as to maximise profits or sales, to ward off competition.
– To respond to changes in market conditions.
– To manage the life cycle progress of the product/service.

Answers may well give examples of how these pricing strategies are implemented. This is legitimate as long as the focus of the answer is on **why** different pricing strategies are used.
– A skimming pricing policy could be adopted in the early stages of a product life – but perhaps only for a limited time – to exploit the uniqueness of the product/service.
– A penetration pricing strategy could be adopted to gain market share (again possibly for a limited time).
– A competitive pricing strategy could be adopted to combat difficult trading conditions and protect sales against competitors.
– Other pricing strategies could be adopted (cost plus, loss leader) depending on business objectives, marketing strategies, and product life cycle stages management.

- Evaluative comment on **why** different pricing strategies could be adopted during the life of a product/service. **[9–12]**
- Analysis of **why** different pricing strategies could be adopted during the life of a product/service. **[7–8]**
- Discussion of different pricing strategies. **[3–6]**
- Limited understanding of pricing strategies. **[1–2]**

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6 – A major operational management decision – factors affecting any location decision will be relevant, e.g. site/building costs, labour costs, transport costs, government grants/government support, profit estimates.
– Re-location overseas involves other factors such as – can it achieve significant reductions in cost – are they sustainable – how big is the market potential in this new country – governmental financial support available? – Level of education / qualifications of staff – cultural differences.
– Specification lists issues such as geography, demography, legal issues, political stability, resource availability, infrastructure and markets as potential important factors influencing an international re-location decision.
– Movement of exchange rates could be significant.
– A mix of economic and non-economic factors.
– Content specific to a manufacturing company could include availability of local manufacturing skills/experience, ease of communication/use of local language, use of IT in process engineering.

- Evaluative discussion of factors likely to influence a decision to relocate (in context). **[17–20]**
- Analysis of factors likely to influence a decision to relocate (in context). **[13–16]**
- Good understanding of factors likely to influence a decision to relocate. **[11–12]**
- Some understanding of factors likely to influence a decision to relocate. **[5–10]**
- Very limited understanding of relocation factors. **[1–4]**

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7 (a) – These are joint ownership organisations – consumer, producer, agricultural worker co-operatives – member owned – meet common economic, social and cultural needs of members.

Strengths:
– Easy to set up.
– Open membership.
– Democratic management.
– Shared objectives.
– More responsible to communities and customers.
– Share surplus.
– Limited liability.

Weaknesses:
– Likely limited resources.
– Management can be inefficient.
– Disputes and differences can occur.
– Longer decision-making process.
– Lack of capital.
– Mass of members may lose interest.

- Analysis of the strengths and weaknesses of co-operative organisations. **[7–8]**
- Good explanation of the strengths and weaknesses of co-operative organisations. **[5–6]**
- Limited explanation of the strengths and/or weaknesses of co-operative organisations. **[3–4]**
- Little understanding of co-operative organisations. **[1–2]**

(b) – Business ethics are concerned with how businesses treat the environment, work with staff and suppliers to build a responsible company, relate to local communities and produce a viable, sustainable company and adds value socially as well as economically.
– Business ethics now part of the language of business, customers demand more and management is trained to deliver more.
– May mean that a business makes explicit provision for ethical behaviour and ethical performance.
– Might mean additional costs.
– More monitoring (e.g. of suppliers).
– May mean new and different practices, e.g. waste disposal – treatment of additional/ different shareholders.
– May be seen as part of brand building and reputational protection (USP).
– May be a source of additional investment for ethical investors.
– So positive and negative implications – becoming a necessity rather than a discretionary approach to business decisions.

- Evaluative comment on the influence of ethics on business activity. **[9–12]**
- Analysis of the influence of ethics on business activity. **[7–8]**
- Discussion of the influence of ethics on business activity. **[3–6]**
- Limited understanding of ethics. **[1–2]**

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