



A-level Business

7132/3

Report on the exam

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Summary

Overall performance compared to last year

Students' performance on this year's paper, in terms of the mean mark, was the same as last year. There were improvements in some areas, notably the use of context to apply arguments to the context; however, there were some weaknesses in terms of understanding concepts either explicitly stated in questions or featured in the case study and appendices.

Skills where students excelled

Application to the context offered by the case study was a notable strength of many responses this year. Dessert parlours seemed to work well for many students who were also able to grasp the scenario of an overly confident, but inexperienced entrepreneur at the heart of the business. Another pleasing improvement on previous years was that students were far more likely than previously to be using examples to bring context to their answers to question 6.

Skills where students struggled

Knowledge of capacity utilisation, contribution, organic growth, franchising and differentiation all proved problematic to a number of students.

Assessment objectives

AO	Common student errors
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	Question 1 showed the difference between knowledge and understanding. Though most students knew that high capacity utilisation meant that things were busy in the dessert parlours, their understanding of the concept was weaker. This resulted in many students basing answers on benefits of high capacity, Question 3 saw a notable number of students either avoiding the use of contribution or misunderstanding contribution as unit cost. There was evidence in question 5 of some patchy understanding of franchising, whilst question 6 saw a worrying number of students writing about diversification instead of differentiation.
AO2 Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues	The case study context seemed highly accessible to students sitting this exam. This clearly helps students ensure their responses to questions 1-5 are contextualised. The only signs of weakness were when trying to apply weaknesses of SWOT to Sanjay's context in question 4 and in question 5. Many students missed opportunities to use data from the case study and appendices to help analyse the two options.
AO3 Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences	Questions 3 and 4 elicited the most instances of descriptive rather than analytical content, with students re-stating aspects of the case or appendices without exploring the implications of these on the question asked. Question 4 also illustrated how the quality of analysis is often enhanced when students link to an 'end point' to their arguments given in the question – in this case 'to help with strategic planning'.
AO4 Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues	To access higher levels of the mark scheme, judgement must demonstrate an element of balance. Weaker responses failed to achieve the 'good' or 'excellent' bands as the evaluation didn't offer any sign of balance. These responses often summarised when attempting to evaluate, rather than genuinely trying to weigh-up their arguments. Evidence of 'formulaic' conclusions showed that these can hinder as often as they can help students make genuine judgements based on their earlier arguments.

Question 1

This question highlighted some real issues in understanding capacity utilisation. Though many responses included a definition of capacity utilisation, few recognised the advantages of operating near to full capacity for a dessert parlour. Instead, many wrote about the benefits of a high total capacity, the speed of the waffle machine or simply having high demand. The best responses tended to be those that explored how Speed-e-Puds could spread fixed costs over more units of output thus lowering cost per unit.

Student A

0 1

Analyse how Speed-e-Puds Ltd benefits from operating with a high level of capacity utilisation.

[12 marks]

?

KU

very
vague, too
vague to
credit as
developme
nt

Speed-e-puds benefits from operating from a high level of capacity as it enables the business to produce as much product as possible and get it to the consumer quickly and effectively. High levels of capacity utilisation also means that speed-e-puds is not wasting any of their Machinery. Therefore they have no assets which are not being used. This means Speed-e-puds is very liquid. Enabling them to make as much of their revenue to be gross profit. This means Speed-e-puds can be able to reach his goal of owning 50% of the Market faster.

KU

argument
starts to
build

In addition, Operating at a high level of capacity utilisation means the staff are very busy throughout the day. This means staff will remain motivated throughout their working day. This gives employees task significance so they feel they have a purpose throughout the company.

Do not write outside the box.

This means ~~if~~ according to Hackman and Oldham staff will be motivated to work harder being excited by the growth of the business. This means the quality will be greater ~~a~~ than other competitors in the Market. This means consumers will be more inclined to shop at Speed-E-Puds Ltd increasing their profits. This will then lead to retain this profit and lower their gearing. Therefore ~~the~~ having less non-current liabilities making it a quicker process for the firm to expand and open up more branches getting closer to achieving that 15% of the Market compared to the current 0.6%.

Context is present-growth objective, Extra space

accept as valid link - developed by this stage

all logically flowing from task significance caused by 'busyness', with move back to context

L3

1st point weak, but second argument was well-developed, with some context. A couple of links somewhat underexplained, so a little below default L3=10

3 branches out of 500 in UK

Examiner commentary

A level 3 response. Note how this answer confirms the positive approach to marking used. Despite a weak first argument, the second argument is far stronger. Its quality is boosted by the use of a theory (Hackman and Oldham are no longer on the specification from September 2023, but this is still credited in future years as a valid business theory) to develop the chain of logic. (10 marks)

If the argument the student is trying to build would be supported by a theory they've learned, they should use it. It is not necessary to explain the whole theory, simply explain how it backs up the argument.

0 1

Analyse how Speed-e-Puds Ltd benefits from operating with a high level of capacity utilisation.

[12 marks]

They benefit from high levels of capacity utilisation because they offer fast treats so high capacity means they can store more product and then easily get it when order meaning orders should be receiving fast for the business meaning a lot of customers should be being served in a day so profit levels should be high because of the high capacity utilisation

Limited response. One accurate element to the answer - profit levels should rise - this is awardable for bottom L1 = 1

Examiner commentary

A level 1 response. As you can see, this response focuses on the benefits of high capacity – which is a different question to the one that was asked about capacity utilisation. (1 mark)

It is important that students really understand the differences between concepts, especially those that sound alike (differentiation and diversification) and those that are related, but distinct (capacity and capacity utilisation). Their knowledge AND understanding is being assessed.

Question 2

This question proved far more accessible to students. The vast majority answered the question by exploring why Sanjay's target was aspirational and the potential reasons why he may have set such an aspirational target. There were plenty of prompts in the case study to help support this. Other ways to address the question were also valid and included suggesting that 15% may have been a conservative target or suggested why an objective relating to market share made sense in a growing, competitive market, whilst others analysed why the target may have been set over a 3 year time period. Excellent responses were often those that combined more than one aspect of the case study within their analysis.

Student A

0 2 Sanjay has a marketing objective of achieving a 15% market share within 3 years.

Analyse the factors that influenced Sanjay's decision to set his marketing objective at a 15% market share. [12 marks]

KU One factor that influenced Sanjay's decision is him being able to have opened 3 branches within just one year. This indicates that Sanjay is doing very well in the industry. Therefore Sanjay is clearly hungry to open up more stores due to his three branches being such a large success. Furthermore Sanjay has spotted a gap in the market through running SWOT analysis and has identified many cities have no specialist desert petrol. Therefore this suggests that there is a gap in the market that Sanjay can penetrate due to being so successful in the branches he owns now. Furthermore, the industry has grown significantly in the past 10 years which suggests that it is a ~~long term~~ not just a 1 hit wonder such as boom bands. Therefore this highlights that Sanjay should be ambitious and aim to achieve a high market share of 15%. This is because there is such a gap in the market for his success.

ARG

DEV

Follow the thread for a well developed arg

Furthermore, Speed Sanjay could have

KU

ARG

Extra space been influenced over the fact that all 3 of his branches are running at high capacity utilisation. Therefore, indicating that Sanjay's products are in high demand generating a revenue of £750,000. This suggests that Sanjay ~~should~~ ~~definitely~~ has been influenced by the data which indicates his success and therefore has set the aim to achieve a Market Share of 15% within the next 3 years.

L3

There's a well developed argument, default L3 = 11

Examiner commentary

A level 3 response. A well-developed argument that brings different aspects of the case study context together – the cities without dessert parlours, market growth and previous success. (11 marks)

Joining different aspects of the case study and appendices (including quantitative information when appropriate) is an effective way to build a well-developed argument.

0 2 Sanjay has a marketing objective of achieving a 15% market share within 3 years.

Analyse the factors that influenced Sanjay's decision to set his marketing objective at a 15% market share.

[12 marks]

KU

Some factors that allow Sanjay to set a marketing objective of achieving a 15% market share within the next 3 years are ones such as the fact they have a unique selling point that competitors can't match due to Sanjay's engineering background which has allowed him to market the 'Superwaffle' which is 'innovative' within the field cooking perfectly in half the time of other waffle makers allowing them to gain an advantage over competitors. It enables him to differentiate from competitors and put them apart due to his comparative advantage.

AN

A factor that may go **NFF** against Sanjay's plan of 15% market share is a incredibly high gearing figure which shows how much of the business is provided by debt and if it is over 50% this is bad as it can allow the business to be **NFF** inflexible and not able to adapt to changes foreseen or unforeseen or they don't have the necessary cash (only £20000) or money to fall back on possibly in the future leaving the business in a poor position.

Extra space due to lack of funds and planning for the future. Sanjay currently is only thinking short to medium term whereas if he used long termism it would allow him to rethink his strategic planning to a safer plan to ensure sustainability and survival.

Overall it will be tough for Sanjay to reach 15% market share in the next 3 years due to poor finances in the short term (current ratio 0.2:1) with them having debt due to opening multiple branches and poor grossing ratio (70%) showing a lot of the business financed by debt and Sanjays leadership doesn't seem to want to change with him possibly overestimating the worth of his USP therefore valuing the business in the market at more than it is.

L1

The question asks for reasons why he has chosen the 15% target and so arguments developed focusing on why he shouldn't have chosen the target are not credited. Furthermore evaluation has been given when the question does not ask for one.

Examiner commentary

A level 1 response. Despite a promising first argument, which became rather generic (lacking clear reference to the case study) later on, this answer only achieved a level 1 mark. The attempted counter argument and conclusion were not answering the question that had been set. (3 marks)

A conclusion/making a judgement is not required for questions 1 or 2 on this paper. Students need to ensure they're answering the question that has been set – precisely.

Question 3

With such a wealth of quantitative data provided, plus a clear instruction to use this with a calculation to address the question of the slushy machines. Few students managed to successfully use quantitative analysis to address the question. Using contribution to calculate the expected profit per machine was a fruitful route to achieving good analysis here. Many students simply made descriptive use of the data or carried out a calculation that offered little insight relating to the question – for example, calculating that three times £3 000 electricity cost would mean Speed-e-Puds costs rise by £9,000 per year across three branches. Business students are expected to be able to handle, and indeed use quantitative data to analyse and suggest solutions to business issues and Paper 3 is a natural area for assessing this skill.

Student A

0 3 Should Sanjay add 'slushy' machines to his three branches?
Use quantitative and qualitative information and calculations to support your answer. [16 marks]

$\frac{3000}{6.945} = 357.89$

I believe that Sanjay should add slushy machines, as a result of the ~~an~~ increased profit it will provide the business. According to appendix B, the break even point for purchasing the slushy machines is 3158*, and the ~~forecast~~ ^{per branch} forecasted number of sales for ~~the~~ slushy's is 3600. So, this means that the slushy machines have a unit break-even margin of safety, or 442 units. This suggests that the introduction of slushy machines would increase the businesses profitability, ~~therefore~~ making it a good decision to invest in. Despite this, it is largely dependent on the impact of the space each slushy machine would take up. Clearly, the figure suggests that it will take up a significant proportion of the front counter, meaning that Sanjay will have less opportunity to

KU

ARG

DEV

enough - well used accurate sales

KU

ARG

Sell a wider range of products. Consequently, this will reduce the ability of his business to continuously product innovate as there is minimised room, perhaps impacting his long term competitiveness and making the business more sensitive to changes in consumer demand.

It is arguable that Sanjay should not
Extra space add slushy machines to his brother,

largely due to his financial data for last year. As evident in appendix A, his liquidity is low at 0.2:1, meaning that he is vulnerable to current liabilities.

By purchasing another non current liability, [?]BD such as the slushy machine, this will only worsen his liquidity, increasing the likelihood of cash flow issues, jeopardising the businesses existence and therefore making it an unwise purchase. Similarly, the gearing ratio ~~is~~ is extremely high, meaning that the business is vulnerable to higher interest rates. Although not clarified, is Sanjay has to purchase the slushy machines on credit this would worsen his gearing, which could ultimately ~~diminish~~ diminish the business in the event of interest rates rising. Despite all this,

ARG

comes back to where it began, some detailed analysis of financial side of the question

the investment into the slushy machines will give the business an average rate of return of 36%. ✓ For the following 5 years. In general, this is relatively high, suggesting that the profit gained from undertaking this investment will mitigate the impacts of liquidity and gearing issues, thus ~~making it~~ suggesting Sanjay should add the slushy machine to his 3 branches

DEV

In conclusion, I strongly believe that Sanjay should add slushy machines to his 3 branches. This is because by doing so, he will have a relatively high margin of safety alongside a good average rate of return, meaning that it will make the business more profitable. Despite this, it is largely dependent on consumer demand.

EVAL

Evidently, the qualitative data suggests that they are popular amongst consumers. It also depends on the relative impact of the machines on space. Whilst they do take up a lot, they can also give the business a competitive advantage. Most importantly, it depends on the financial benefits gained, which clearly benefit Sanjay's business

EVAL



10

Excellent response, numbers and calcs used L4 = 15

REGUR2471223

11

Examiner commentary

A level 4 response. A fine example of how accurately using the quantitative data provided can rapidly elevate an answer through the levels of response, if that calculation is well selected in its relevance to the question – in this case calculating break-even then margin of safety to show that the machines will be profitable. (15 marks)

Students should look at the quantitative data given to see if it allows calculations that can support their arguments. Often on a case study paper, enough numerate information will be provided to enable students to choose which calculations will be most relevant to answering the question set.

03

Should Sanjay add 'slushy' machines to his three branches?

Use quantitative and qualitative information and calculations to support your answer.

[16 marks]

Quantitative information is numerical data
and qualitative information is textual data.

One reason why Sanjay should add slushy machines to his three branches is because, despite the initial cost being £750^{per machine}, the machines last for five years and so over the five year period, each branch is forecasted to sell 3,600 slushies per year. As a result, setting a selling price above the contribution per slushy of 45 pence would make Speed-e-plus a profit over the years. Speed-e-plus already have a ~~present~~ a strong brand image and know and understand the market to which they sell to, meaning they already have a large customer base. Offering slushies on top of their existing products is likely to increase sales revenue, specifically in the summer. ~~But~~ This may even attract new consumers to Speed-e-plus. As a result, the initial cost of the investment can be covered. However, these machines will take up a large portion of the counter space and so may get in the way of other products.

weak u/s

KU

KU

KU

KU

not accurate

founded on a false premise

NFF

EVAL

L1

~~There~~ A reason why adding slushy machines to all three branches ^{may not} be a good idea is because it will increase the electricity usage of each branch £3,000 per year. As a result, ~~the~~ any ~~the~~ cash inflows are going to be used to pay the high electricity bill. This means that the operating profit margin is likely to be ~~very low~~ significantly low. This

Extra space

as well as other expenses such as the cups and straws are likely to get in the way of knocking even. This ~~also~~ will impact Speed-e-plus's finances and they may suffer a loss as a result of this decision. On the other hand, using a decision tree to ~~use~~ predict the expected value from the slushies will give Sanjay an insight to see whether the investment is worthwhile.

In conclusion, I do not think that introducing slushy machines in all three branches is a good idea as they are not financially beneficial due to the high expenses including electricity, cups, straws and initial costs. Speed-e-plus would be relying on high demand for slushies which is not guaranteed. However, ~~with using~~ introducing slushies in one branch may show Sanjay if it is a good, sustainable idea

That will ~~also~~ generate a stable cashflow.

Isolated points, some misunderstandings, but stronger on qualitative issues. Overall limited, but above default as there are quite a few points and some limited dev L1 = 4

Examiner commentary

A level 1 response. This response remains limited for two underlying reasons. Firstly, arguments are not developed – the consequences of the issues raised are not really explored in any significant depth. The second major drawback relates to inaccuracies in the use of calculations or understanding of topics, such as contribution. Where an argument is built on a false premise, it cannot be credited as a developed argument. (4 marks)

On a question such as this, whose wording requires calculations, there is no hiding place – students must include some. This is why it is always worth students persevering to understand the calculations covered in the specification. If they can master a few calculations this is better than none at all. Being able to calculate, for example, break-even on this question, would have enabled the development of a good argument.

Question 4

The value of SWOT analysis has been assessed several times during the life of this specification and this occasion elicited some good responses. Students tended to show a good understanding of the concept and could use aspects of the SWOT provided to build arguments supporting the usefulness of SWOT. The best responses clearly linked this to usefulness in helping Sanjay's strategic planning. Students found it far harder to build counter-arguments, and where these were presented they often lacked context.

As mentioned earlier in this report, this question illustrates the importance of addressing the whole question. Responses that did not explicitly address the 'helps strategic planning' aspect of the question usually did not move out of level 2 on the mark scheme. Recognising that some questions tell students where to end their arguments is an important skill for students looking to achieve top marks.

Student A

0 4 To what extent is Sanjay's use of SWOT analysis likely to help his strategic planning?

Use information from **Appendix C** and the other information provided to justify your answer.

[16 marks]

KU

Sanjay's use of SWOT analysis can help him identify potential threats and develop contingency plans to mitigate the risk. Healthy eating and legislation such as the sugar tax have been a large threat to 'treat' orientated businesses such as Speed-e-puds. By conducting SWOT analysis, Sanjay has identified this risk and can plan for the situation and do thinks like develop a sugar less menu to introduce quickly if need be.

ARG

However, it depends on the extent to which Sanjay factors in his findings when strategic planning. Sanjay may disregard the threats and focus on the positives such as the high growth forecasts.

not adding significantly

on the other hand, SWOT analysis could be misleading or unreliable. For example, it would depend on where Sanjay got the figure of dessert parlour market growing by around 20% per year in the last 5 years. If this figure is from an unreliable source it

ARG

Extra space may misinform Sanjay's strategic planning. It may also be misleading as nothing in that rate of growth figure suggests that the magnitude of growth will continue. This may lead to Sanjay doing incorrect and ill-informed strategic planning. However, if SWOT analysis is used as a stimulus for more extensive market research it can help the accuracy and quality of Sanjay's strategic

DEV

the thread through the page flows nicely, could have deeper use of context

To conclude, SWOT analysis can help strategic planning because it forces entrepreneurs like Sanjay to focus on

EVAL

the negatives when it would be easy for him to only focus on his 'strong branding' and success of the Super Waffer. It also forces him to examine the ~~external~~ external environment. It depends on how he uses the SWOT analysis and the credibility of his findings as incorrect data can lead to a misinformed strategic plan which has the potential to fail. The most important factor is that it forces Sanjay away from short-termism and gets the strategic planning process going.

EVAL

L3

A good response. One side is well developed, but the other is only developed. Judgement is sound but 'lost' the healthy option argument. L3, just over default due to attempts at balance and focus on usefulness

Examiner commentary

A level 3 response. This response certainly maintains its focus on the whole question, linking SWOT with strategic planning. The only reason it did not get into level 4 was that the first argument slightly fizzled out at the end, instead of recognising how the healthy alternatives would be a long-term strategic move. It suggests they could be introduced quickly if needed which would be more of a tactical response to a sudden change than a strategic move. (12 marks)

It's important for students to check whether the question's wording tells them where to end as well as start their chain of logic. For this question, students should start by exploring a benefit of SWOT analysis and end with how this benefit is useful in producing strategic plans.

0 4 To what extent is Sanjay's use of SWOT analysis likely to help his strategic planning?

Use information from **Appendix C** and the other information provided to justify your answer.

[16 marks]

SWOT analysis will help with strategic planning as it gives you ~~idea~~ of what strengths, weaknesses, opportunities and ~~weakness~~ threats speed - e-puds Ltd are. Knowing this ~~more~~ information will help the business as it can use it to plan efficiently. It can plan ahead to protect them from threats, and use their strengths to ~~help them~~ ^{their advantage}. It will help them to avoid their weaknesses. But they can plan strategically so they don't ~~miss~~ miss any business opportunities. Therefore if they know that their threats are concerned ~~with~~ ^{highly} with healthy eating and demand is income elastic then they can plan so can have control of them to make sure things are okay and avoid threats.

Very descriptive - starts some application at the end but lacks development - limited

SWOT analysis will also help strategic planning as it helps ~~the business~~ them make sure the plan doesn't miss anything that could jeopardise the business. SWOT analysis also includes weaknesses this means that they use it to make the plan so it changes them

out of weaknesses into strengths.
~~however~~

very vague

IN conclusion SWOT analysis would be ~~quite~~
 helpful when strategic ~~information~~
 planning is happening, as it contains vital
 information that the business ^{should} know. It will
 help the business to not miss any gaps and
 Extra space have a strategy that helps them in
 every way possible.

L1

Very general. Lacks any real specifics. L1 = 3

EVAL

Examiner commentary

A level 1 response. The problem here is that the response does not really dive into examples from the case study that show exactly how the information in the SWOT analysis might affect the strategic planning process. Towards the end of the first paragraph the answer refers to two threats but does not explore how the strategic plan might actually address these threats. Especially on Paper 3, with a detailed case study, it is expected that students would be able to think their way into the scenario sufficiently to be able to delve deeply into the scenario presented. (3 marks)

After correctly identifying that a trend to healthy eating and income elastic products represented threats to Speed-e-Puds, these arguments could have been developed by exploring how Sanjay's strategic planning could focus on addressing these by perhaps offering a 'low calorie' section of the menu at Speed-e-Puds, or introducing 'budget options' which may be less income elastic, enabling the business to survive an economic downturn more easily.

Question 5

This question proved highly accessible – as is often the case when asking students to choose between two options. The time constraints of Paper 3 are understood by the examining team and thus quality of argument should always be prioritised over quantity. Therefore, on a question like this one, exploring the benefits and drawbacks of both options may take too long and the balance required by the question can be achieved by, for example, addressing just the benefits of both options.

Understanding the realities of growth by franchising proved a problem for some students, indeed, there were some odd misconceptions on display, often founded on a belief that franchisees would be left completely uncontrolled by Speed-e-Puds as a franchisor.

Student A

0 5 Sanjay is considering two options for the growth of Speed-e-Puds Ltd.

Would you advise him to choose Option 1 or Option 2?

Justify your answer.

[20 marks]

I would strongly advise Sanjay to choose option 2. Whilst growing organically has been successful as of now, the data in Appendix A clearly suggests that long term, growing organically will not be sustainable, particularly due to the gearing and current ratio issues. In contrast, by franchising Speed-e-puds, Sanjay would have less risk, particularly as he would not be responsible for the franchisees main costs. Alongside this, growing through franchising would be a more rapid process, consequently allowing Speed-e-puds to rapidly increase its market share, meaning that Speed-e-puds would gain more market share in a shorter period of time. Consequently, Speed-e-puds would become a more recognisable brand, increasing its sales and as a result, operating profit. Overall, this suggests that franchising

KU

clearly infers u/s of balance sheet info

ARG

is a viable option, particularly as Sonjay would still receive 10% of profit ^{BD} a significant amount. Despite this, it is largely dependent on the ability of Sonjay to sell to the 'correct' franchisees, alongside providing them with sufficient training so that they do not jeopardise the brand image. Failure to provide adequate training would result in a negatively perceived brand image, reducing customer satisfaction and leading to less sales.

DEV

overall well developed analysis of the issues raised by option 2

On the other hand, some people would argue that option 1 is the more appropriate choice, particularly as the brand's success is ~~largely~~ largely a result of Sonjay himself. Appendix C clearly shows us that Sonjay is an influential and innovative figure, whose management style has driven the business forward. It is arguable that the success of the business correlates with his presence, perhaps why the business has been so successful amidst its 3 ^{BD} years in operation. By choosing option 1, Sonjay would have a

Extra space

ARG

tighter control over Speed-e-Pads. Consequently, this would lead to faster decision making, helping Speed-e-Pads to gain a competitive advantage and therefore increase market share, resulting in higher profitability. Alongside this, Sanjay understands the businesses core competencies to a greater extent. By remaining in power he can drive the business forward with his vision, ~~growth~~ which ~~will~~ could result in faster growth, particularly due to his vast experience. Despite this, it is largely dependent on the ability of Sanjay to oversee the ~~best~~ vast array ^{BD} of businesses he plans to open. He is unlikely to be able to understand and make effective decisions based on each location, emphasised particularly as the UK is a diverse country, ~~the~~ with an abundance of cultures and norms, each demanding something different. Inability to adapt to local circumstances could result in low demand, thus making option 1 ~~an~~ or undesirable strategies

ARG

may not be much more significant than the other option - but but wrong

DEV

In conclusion, I strongly believe that Sanjay ~~the~~ should choose option 2.

Whilst he may lose somewhat control, the rapid growth that will occur as a ~~or~~ result of franchising will ultimately contribute towards the success of Speed-e - pads and make them a more successful business. Although franchising might lead to some disagreements in regards to decision making, Sanjay's leadership should help to overcome this.

Despite this, the decision is largely dependant on Sanjay's aims for the business. As he wants to increase market share, franchising looks the better option.

It also depends on the financial situation of the business. Clearly, appendix A shows that Sanjay cannot take on any more non current liabilities, so option B will alleviate this financial pressure. Most importantly, it depends on the ability of franchisees to successfully implement Sanjay's strategy.

The training given should reduce the chances of them conducting an action that jeopardises brand image.

L5

An excellent response, well developed arguments on either side and a well-balanced evaluation of the chosen option L5 = 19

Turn over ►

Examiner commentary

A level 5 response. This provides a clear example that one well-developed argument on either side of the question, followed by a balanced evaluation that flows from the arguments is all that is needed to score well. At the heart of the answer's success is the student's understanding of key issues raised by the case study – on one side, the limited sources of finance available allied with Sanjay's challenging growth target favouring option 2, on the other side a recognition that Sanjay's management style and understanding of what has thus far made Speed-e-Puds successful favouring option 1. The evaluative conclusion then weighs up the arguments justifying why one is better than the other, validly justifying what the answer depends upon. (19 marks)

Time taken at the start of the exam to understand the business's situation is never wasted. Working on the principle of writing for a minute for each mark available, there are 20 minutes 'allocated' to reading and understanding the case study and appendices. Recognising key issues within the context can allow focused answers that zero in on the biggest issues.

0 5

Sanjay is considering two options for the growth of Speed-e-Puds Ltd.

Would you advise him to choose Option 1 or Option 2?

Justify your answer.

[20 marks]

Sanjay should choose option 2, to ~~from~~ sell Speed-e-puds Ltd franchises to entrepreneurs who are interested in owning their own Speed-e-puds Ltd franchised outlet.

Sanjay believes that a Speed-e-puds Ltd outlet in 75 cities in the UK would enable him to achieve the marketing objective he set of ~~have~~ speed-e-puds Ltd having ~~£~~ 15% share of the UK dessert parlour market in the next 3 years. This will be ~~easier~~ easier for Sanjay to achieve if he franchises because he won't be growing organically which could take longer depending on ~~how much~~ money the cash flow of the business and what profit he is making. Therefore franchise may be easier.

KU

Fair point but does not make any use of the data provided to illustrate the point

KU

If he went with option one Sanjay would frequently meet with the managers he appoints to run these branches. According

to the SWOT analysis reliance on Sanjay's hand-on-management style is a weakness. This means that if they were to franchise then that would no longer be a weakness as he would not have that involvement as much anymore if they were to franchise.

Lacks depth but is a fair point - not fully explained, so limited dev

In conclusion option one Sanjay could maintain tight control and the speed ~~up~~ - e-puds organisation would grow but objectives may be reached faster if they went with option 2 due to the external form of growth used as franchising would mean bringing people in who want to pay to franchise speed - e - puds.

EVAL

Extra space

L2

The depth of argument is missing. Several valid points but only really got one argument beginning on one side. A little evaluation focused on the question Overall limited, just below default L2 = 6

Examiner commentary

A level 2 response. This answer makes a couple of valid points but doesn't effectively develop these. In order to gain credit for a developed argument, these points about growing faster for option 2 or maintaining control for option 1 must explain 'why'. This is the crucial word for considering the quality of an argument. If an argument is chain of logical consequences, the best arguments clearly explain why one thing leads to another thing, weaker arguments simply state that one thing leads to another without explaining why. (6 marks)

This is another skill that needs practice, practice and more practice. Getting students into the habit of explaining 'why' will improve the quality of their arguments. In this case the student could have explained why franchising will make it easier to achieve the rapid growth Sanjay desires, because franchising requires him to find less capital himself due to the franchisees providing most of the start-up capital needed for opening 75 new branches.

Question 6

The need to offer context in an answer to a question about all businesses has long been a challenge for students. However, this year showed a clear improvement in an understanding of how these questions should be tackled. The majority of responses did look for opportunities to illustrate their arguments with a set of circumstances or scenario in which the statement could be shown to be true or false. Doing so enables students to assess these circumstances to produce an evaluation that shows when the statement may be true and when it may be false – i.e. what the answer depends upon.

A major challenge for students was the need to remain focused on companies following a differentiation strategy. Many wrote about the benefits of innovation, correctly exploring how innovation can be a useful route to achieving differentiation. However, by the time they had reached the half way point in their answers seemed to have forgotten the question originally asked and offered a counter-argument that had lost focus (often based on the drawbacks of innovation), rather than trying to argue that innovation may not be essential when pursuing a strategy of differentiation

Student A

0 6 A key feature of Sanjay's business is differentiation provided by his innovative, speedy waffle maker. SCORE luxury products

To what extent is successful innovation essential for all businesses choosing a strategy of differentiation? Business  [24 marks]

~~Successful innovation is essential for all businesses choosing a strategy of differentiation because others competitors may adopt the strategy of differentiation strategy so the business will ^{no} longer be unique. Businesses that sell in the ^{tech} market specifically with premium prices have to differentiate from competitors to gain perceived value. Tech markets are very fast moving dynamic ^{as competitive} so if the business won't to differentiate from competitors they will not likely survive.~~

Yes Innovate

- ↳ Competition steal idea
- ↳ no longer differentiated

Remains Apple ↳ markets like tech dynamic / competitive

Hawaii ↳ constantly new new ideas

Pink's ↳ customers value product & price

Proctor & Sub ↳ Innovation needed to differentiate or else consumer go elsewhere

No don't

- ↳ Patents in place, not needed. luxury
- ↳ Brand itself holds value.

Gucci Prada

Successful innovation is essential for all businesses choosing a strategy of differentiation because competitors could adopt the strategy and then the perceived value of the product according to Bowman's Strategic clock will decrease. Businesses in highly competitive and dynamic markets consistently need to be innovating to get ahead of competitors. For example, in the tech industry differentiation through innovation is so important due to high rivalry and threat of substitutes (Porter's Forces). If businesses don't generate new ideas through innovation they will likely lose their Unique selling point and then will lose perceived value. As a result customers are likely to go to competitors so the business will lose market share through loss of sales. For Sanjay, just like many other businesses with patents his ~~great~~ invention patent will only last so long so in the next few years he will need to create a new way of differentiation or he will not be able to differentiate on speed as competitors can use his invention. ~~Now~~ Therefore, innovation will be essential to his ~~own~~ speed-e-rads success as the market is highly competitive and now he is gaining customers due to his speed. However innovation ~~will only be~~ may not be essential unless competitors decide to adopt ideas they may decide the barriers to this strategy are too high so the competition

KU

ARG

DEV

Extra space

KU

limited dev

May ~~differentiate~~ compete through other ways such as low costs. Therefore the need for innovation will just depend on competition actions.

KU

Successful Innovation isn't essential to all businesses because although some businesses compete via differentiation, its mainly due to high perceived value ^{and for} ~~due to~~ strong branding. ^{the need sales.} For example in the fashion industry businesses like Gucci and Prada both compete via differentiation instead of price but the need for innovation is less as the perceived value of the brand allows them to benefit from sales still. As a result innovation isn't required as much, as the customers may have stronger brand loyalty to the brand anyway so are willing to pay premium prices. ~~and still~~ The other businesses that don't require innovation are businesses with long term patents in place. For the a while there unique selling point e.g. the chemical, machines etc. can't be used so they can differentiate ways that and therefore don't need to innovate as competitors can't steal their idea. However, this is only a short term solution so in the future ~~after~~ innovation may be needed to stay successful

ARG

DEV

One argument with two scenarios arguing that innovation isn't essential, builds into a well developed counter argument

see page 22

* Successful innovation isn't essential because for different businesses using differentiation as a strategy to compete as they way they differentiate could be things like quality of perceived value. For example, fashion businesses like Prada compete through differentiation but don't need to innovate successfully as their brand name and quality is what sets them apart from competitors. However, this form as a result innovation isn't essential for them.

feels repetitive, continues to build the argument that innovation isn't essential for differen

Overall, I think innovation is essential to all businesses ~~differentiating~~ using differentiation as a strategy because eventually competitors may adopt the businesses strategy of ~~through~~ differentiation so they will no longer be differentiated. As a result they will need to generate a new idea through innovation methods such as ~~interviews~~ which is often at the heart of many businesses culture when they use differentiation as a strategy. For businesses that use differentiation as a strategy but mainly in terms of things like quality although the need for innovation may be lower as the industry becomes more competitive they may have to consider new ways of improving quality for example so still need to innovate. In addi
Therefore I think overall all business with ~~different~~ differentiation strategies ~~should~~ will need successful innovation.

Overall an excellent answer, some well developed analysis on either side and decent use of context, evaluation is sound and shows balance plus flows clearly from earlier arguments
L5 = 23

Examiner commentary

A level 5 response. This excellent answer is highly focused on answering the question that was asked. It was the ability to consistently stay rooted in exploring how a strategy of differentiation may be successful that marked this answer out as excellent. Though the evaluation could have been stronger, it does show some balance and flows very clearly from the earlier arguments. (23 marks)

Students need to take time to understand what the question is really asking. They need to make sure they never stray from answering that precise question. This is a relatively short answer but its sustained focus on the question shows that quantity is less important than focus.

0 6

A key feature of Sanjay's business is differentiation provided by his innovative, speedy waffle maker.

To what extent is successful innovation essential for **all** businesses choosing a strategy of differentiation?

[24 marks]

KU

Innovation is very important to a business who operates in both goods (for a USP) and for services who can find the most efficient ways of serving. Sanjay's 'Superwaffler' has proved to be successful in reducing wait times and improving quality of service. This example of innovation has increased sales as he now able to serve more customers and it has also attracted the attention of stakeholders and investors.

ARG

Technology innovation has kicked off massively in the past 10-15 years. The likes of Apple, Microsoft and even AI are all creating opportunities for growth within the technological market. ~~And~~ The innovation of the iPhone to the PS5 has created much attraction and attention and has meant that these companies have loyal customers who enable them to spend millions of pounds

not getting any feel for differentiation aspect yet

limited dev

creating products that are sold at high prices all whilst remaining with their competitive advantages and repeat loyal customers. For Apple, there are many customers who are willing to purchase a lot of their products and when newer versions are released, eg the series of apple watches, they are willing to purchase no matter the expense.

so far just argued why innovation is a good thing

KU

The innovation within any given business involves taking a prototype and improving it through unique ideas in hopes of standing out from other products in their operating market. This gives a business opportunity for growth and competitive advantage

AN

to charge higher prices enabling profits. Differentiation is quite often due to innovation but can also occur through niche offerings or quality of service - it doesn't always stem from the ~~different~~ innovation of a new product. So, for companies who

KU

Extra space

rely on their quality of service like restaurants or cinemas, their

only limited development so far

Turn over ►

Strategy to differentiation
may not be innovation and it
may not be useful to them.

One argument only is considered developed. Lost sight of differentiation aspect at times, then came back to it, but didn't get the chance to develop the 'other ways to differentiate' argument or weigh up. Limited, but above default = 10

L3

Examiner commentary

A level 2 response. Higher mark questions assessing analysis and evaluation may well need students to keep two ideas in their mind throughout the answer - in this case innovation AND differentiation. This can be a challenge, as shown by this response, which is focused on innovation but hardly mentions differentiation. This means that it is only a limited response to the question asked. To improve, the response needed to keep bringing arguments back to a strategy of differentiation. (10 marks)

Practice makes perfect here – making use of past paper questions over the duration of the course can help students to develop the mindset of joining the two ideas in a question together.

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