# Tutors' marking guide for Business Strategy December 2016

**Marking documents**

The marking information set out below is that used to mark the questions. Markers are encouraged to use discretion and to award partial marks where a point was either not explained fully or made by implications. More marks are available than can be awarded for each requirement, where indicated.

Business Strategy has one of the highest skills content of all the application stage papers as it leads on to the Advanced Level and Case Study papers. This is reflected in the marking process where the available marks for each requirement are divided into two pools: Knowledge marks (K) and Skills marks (S), with more marks awarded for skills than knowledge.

For any particular exam paper there are three separate marking documents:

- A detailed mark plan for the paper (a full answer, containing all the likely points that candidates may make, as published for students);
- A marking grid which breaks the paper down into the K and S mark pools available for each requirement;
- A separate marking guidance document issued to markers, giving an overview of the typical K and S points for each requirement, to be used in conjunction with the detailed mark plan.

This approach was explained at the tutor conference and is covered in detail in the Learning Materials.

Broadly speaking, the K marks are for demonstration of appropriate and accurate knowledge and understanding from the Learning Materials, explicit or implied (eg where the answer is developed using recognised models, tools and frameworks, not just common sense).

The S marks are for:

- Assimilating and using information
- Structuring problems and solutions
- Applying judgement
- Conclusions and recommendations
- Communication

For example, if the requirement was to 'analyse the competitive forces within an industry' then K marks would be for selecting the right model and knowing the key headings, in this case that 'competitive forces' suggests Porter's Five Forces model should be applied.

S marks would be gained for example by

- Applying a model to the context in the question, eg identifying information from the scenario
- Analysing the information, eg identifying causal factors that explain changes in data
- Reasoning and judgement, eg providing reasoned advice relating to the specific terms of the scenario

## Business Strategy December 2016 marking grid

| | ACTUAL | | | HEADROOM | | |
|---|---|---|---|---|---|---|
| | K | S | TOTAL | K | S | TOTAL |
| | | | | | | |
| 1.1 Data analysis | 3 | 15 | 18 | 3 | 17 | 20 |
| 1.2 Sourcing steel | 4 | 9 | 13 | 4 | 11 | 15 |
| 1.3 Procurement | 3 | 6 | 9 | 3 | 8 | 11 |
| **Total** | **10** | **30** | **40** | **10** | **36** | **46** |
| | | | | | | |
| 2.1 First-year post acquisition review | 3 | 8 | 11 | 3 | 10 | 13 |
| 2.2 Second-year post acquisition review | 3 | 8 | 11 | 3 | 10 | 13 |
| 2.3 Ethics | 3 | 5 | 8 | 3 | 6 | 9 |
| **Total** | **9** | **21** | **30** | **9** | **26** | **35** |
| | | | | | | |
| 3.1 Branding strategy | 2 | 6 | 8 | 2 | 6 | 8 |
| 3.2 Pricing boots | 3 | 4 | 7 | 3 | 4 | 7 |
| 3.3 One-off payment | 1 | 6 | 7 | 1 | 7 | 8 |
| 3.4 Quality control | 2 | 6 | 8 | 2 | 6 | 8 |
| **Total** | **8** | **22** | **30** | **8** | **23** | **31** |
| | | | | | | |
| | | | | | | |
| **Overall total** | **27** | **73** | **100** | **27** | **85** | **112** |

**Tutors' mark plan guidance notes – Business Strategy December 2016**

| **Q1: Pinter** | **KNOWLEDGE**<br>**Demonstration of LM knowledge, explicit or implied (e.g. used tools not just common sense)** | **SKILLS**<br>**(e.g. Application of knowledge. Analysis of issues. Linking of key facts. Argument and reasoning. Judgement and conclusions)** |
|---|---|---|
| **1.1 Data Analysis** | Structured presentation - table with columns and headings<br><br>Structured answer that addresses each customer separately<br><br>Key drivers of profitability | **Quantitative data analysis**<br>2015 v 2016 % changes<br><u>Revenue analysis</u><br>• Analysis of income stream from each customer<br>• Price per panel<br><u>Cost analysis</u><br>• Steel cost per panel<br>• Other VC per panel<br><u>Operating profit % and contribution</u><br><br>**Discussion**<br>• Analyse revenue by customer (eg price, quantity, explain changes)<br>• Cost analysis (steel, other VC, FC)<br>• Analyse of profit and contribution including sustainability<br><br>**Conclusion**<br>Addresses directors' concerns |
| **1.2 Sourcing steel** | Understanding nature a fixed price supply contract<br>Understanding single or multiple supplier arrangement<br>Knowledge of Forex risk/mgt issue<br>Knowledge of supply chain model eg Rs | **Key factors**<br>• Price<br>• Terms of contract<br>• Distribution (lead times etc)<br>• Risks (eg availability, FOREX, quality)<br>• Numbers (eg prices diff)<br>**Single or multiple supplier**<br>• Flexibility/fixed v variable prices<br>• Context is overcapacity in industry<br>• Supply chain risk management<br>**Reasoned advice** |
| **1.3 Procurement director response** | Appropriate tone and language for external user<br><br>Two tailed risk of cost changes<br><br>Risk - Understanding of nature of contractual agreement and impact on risk transfer/sharing | Pricing<br>- Relative bargaining power (terms to be agreed)<br>- Cost v price relationship<br>- Timing of cost price relationship (annual or per contract)<br>- Impact of non-steel costs on panel prices<br>- Impact of external market forces/supply and demand<br>Delivery schedule<br>Next steps and/or negotiation/alternative proposals |

| **Q2 Zeter** | | |
|---|---|---|
| **2.1 First-year post acquisition review** | • Understanding of divisional autonomy<br>• Knowledge and understanding of transfer prices<br>• Vertical integration | • In-sourcing all distribution<br>• Terminate all Tranns contracts<br>• 10% price reduction<br><br>**Conclusion** |
| **2.2 Second-year post acquisition review** | • Problem of measuring divisional performance<br>• ROI<br>• Residual income | **Calculations**<br>- Other calculations and DA<br><br>**Finance director's comments**<br>- Financial v non-financial measures<br>- % return measures<br>- Comparison with ZDC return of 18%<br>- Discuss operating loss (impact of TP)<br><br>**Marketing director's comments**<br>- Professional scepticism<br>- KPIs as measures of process improvements (cf output/return)<br>- Discussion of each KPI |
| **2.3 Ethics** | • Ethical language and principles:<br>- (transparency, effect, fairness, honesty, objectivity)<br><br>- other principles of conflict of interest, intimidation<br><br>• Directors' duties | • Establish the facts – extent, nature, impact<br>• Evaluate the specific consequences<br>• Corporate governance issues<br>• Identify issues for David<br>• Identify issues for Kevin<br>• Evaluate each ethical issue - timing (conflict of interest and intimidation)<br>• Set out actions for David and Kevin |

| **Q3 Hartley's** | | |
|---|---|---|
| **3.1 Branding strategy** | Brand positioning – quality<br>Brand positioning – segment/age | (a) Compare HTF and Ayres brands<br>(b) Benefits and problems of Ayres assoc<br>• Diversifying<br>• Image<br>• Brand damage |
| **3.2 Pricing boots** | • Understanding demand/supply relationship<br>• Appropriate pricing models<br>• Brand positioning matrix | Demand v Supply<br>• Shift of demand curve v movement along demand curve<br>• Impact of supply side capacity constraint on price.<br>Pricing models<br>• Price v perceived quality |
| **3.3 One-off payment** | Upfront payment based on contribution | Calculation and discussion of numbers<br>Qualitative factors to consider<br>• Uncertainty - fixed cost<br>• Uncertainty - new supplier<br>• Fashion (life cycle)<br>• Exclusivity maintained |
| **3.4 Quality control** | • Knowledge of quality control<br>• Understanding of quality assurance | Quality control/assurance<br>- critical success factor<br>- identification of problems<br>- mitigation<br>- monitoring manufacturing processes (QA)<br><br>Examples of measures/information |