



## Knowledge/Skills guidance for BS marking December 2016 (Mock 1)

**Note.** This grid is for guidance only and must be used in conjunction with the mark plan.

More detail on the approach to marking can be found in Chapter 1 of the Study Manual.

Q1 Newsville plc	Knowledge	Skills
1.1 Evaluation of competitive position and performance	<ul style="list-style-type: none"> <li>• Generic knowledge of competitive positioning</li> <li>• Attempt at providing some numerical analysis relating to both competitive position and performance</li> <li>• Structured/tabular approach to calculations</li> </ul>	<p>Appropriate supporting calculations</p> <ul style="list-style-type: none"> <li>• Competitive position (% of market share)</li> <li>• Performance (% change in circulation numbers, revenue and operating costs)</li> </ul> <p>Practical comments made covering:</p> <ul style="list-style-type: none"> <li>• Domination of The GC Voice and The World in the local Granchester market</li> <li>• Influence of national papers sold in Granchester</li> <li>• Significant movements in market share</li> <li>• Fall in the circulation of The GC Voice</li> <li>• Revenue from the sale of newspapers of The GC Voice is down</li> <li>• Advertising revenues have fallen</li> <li>• Operating costs falling. Comment on the nature of the types of cost (fixed v variable)</li> <li>• Summary</li> <li>• External information to enhance benchmarking, eg market research of industry and at local level</li> <li>• Internal information to highlight underperformance, eg quality of journalism, marketing and operations</li> </ul>
Additional information		

Q1 Newsville plc	Knowledge	Skills
1.2 Threats to Newsville	<ul style="list-style-type: none"> <li>• Focuses only on threats from SWOT (external)</li> </ul>	<ul style="list-style-type: none"> <li>• Competition from new entrants, eg free newspapers</li> <li>• The World is increasing the number of free copies</li> <li>• National newspapers</li> <li>• Internet</li> <li>• Small local newspapers</li> <li>• Population changes: decreasing customer base</li> </ul>
1.3 Evaluation of the contrasting viewpoints over pricing	Generic knowledge of pricing strategies and elasticity of demand	Practical comments covering: <ul style="list-style-type: none"> <li>• Market research is needed to determine the responsiveness of circulation to price</li> <li>• Change in newspaper price and the impact on advertising revenues</li> <li>• Highlights the main benefits and disadvantages of the marketing directors view</li> <li>• Highlights the main benefits and disadvantages of the editors view</li> </ul>
1.4 Evaluation of strategic proposals	<ul style="list-style-type: none"> <li>• Memo format</li> </ul> Generic knowledge of <ul style="list-style-type: none"> <li>• Market research (desk/field)</li> <li>• Types of risk</li> <li>• Incremental costs/revenues</li> <li>• Each proposal is evaluated under the required headings (market research, strategic impact and risks)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Strategy 1: free local newspaper:</b> <ul style="list-style-type: none"> <li>(a) Market research in the form of desk and field research is needed and examples of each type of research is provided relevant to issuing a free local newspaper</li> <li>(b) Strategic impact could be considered by making reference to measures for determining success, eg advertising revenue generated</li> </ul> </li> </ul> <p>Comment on the difficulties of such measures, eg the net impact that a free newspaper would have on advertising revenue in The GC Voice</p>

Q1 Newsville plc	Knowledge	Skills
		<p>(c) Risks may include retaliation by rival free papers, reputation damage, high exit costs</p> <ul style="list-style-type: none"> <li>• <b>Strategy 2: launch of <i>Eighteen+</i></b> <ul style="list-style-type: none"> <li>(a) Market research in the form of desk and field research is needed and examples of each type of research is provided relevant to launching a student magazine</li> <li>(b) Strategic impact as before could be considered in relation to circulation and advertising revenues Consideration of associated costs and relevant factors of introducing <i>Eighteen+</i> (distribution costs, dependence on colleges to distribute, seasonality)</li> <li>(c) Risks may include sunk costs, exit costs, some degree of reputation damage to Newsville plc, uncertainty over readership</li> </ul> </li> </ul>

Q2 Multi-Services Ltd	Knowledge	Skills
2.1 (a) Financial and non-financial impact of losing the Henton contract	<ul style="list-style-type: none"> <li>Clearly addresses financial and non-financial factors</li> <li>Understanding of nature of fixed costs</li> </ul>	<ul style="list-style-type: none"> <li>Numerical analysis of revenue (total revenue calculations and Henton revenue calculations)</li> <li>Numerical analysis of the loss of the Henton contract on profitability in 20X7 and 20X8</li> </ul> <p><b>Practical comments covering:</b></p> <ul style="list-style-type: none"> <li>Loss of contract represents a decrease of 37.5% volume in activity</li> <li>Redundancy of employees</li> <li>Comment on the financial impact of the loss of the Henton contract eg significant reduction in profitability from £1,500,000 to £187,000</li> <li>States any assumptions eg fixed costs remain constant, material costs occur evenly</li> <li>Calculations do not take account of the one-off redundancy costs</li> <li>Liquidity problems to fund redundancies</li> <li>Non-financial factors resulting from the loss of the contract may include the loss of reputation, reduction in market presence and of economies of scale</li> </ul>
(b) Factors to consider in reducing the price		<p>Numerical analysis of profitability:</p> <ul style="list-style-type: none"> <li>(i) In 20X8 without the Henton contract</li> <li>(ii) Henton at current activity levels at reduced prices</li> <li>(iii) Henton contract at reduced prices with a 50% fall in the level of activity</li> </ul>

Q2 Multi-Services Ltd	Knowledge	Skills
		<p><b>Practical comments covering:</b></p> <ul style="list-style-type: none"> <li>Continuing with the Henton contract with a reduced price doubles profit</li> <li>Price reduction allows for a gradual scaling down of activities</li> <li>Henton may delay the implementation of the new strategy</li> <li>Price reduction would help the company's liquidity position (gradual redundancy payments)</li> <li>Other factors to consider may include; Henton's motives for the new procurement strategy, Debbie Cheng's motives, the ability of Henton to operate solely using its own employees</li> </ul>
(2.2) (a) Ethical issues and MS's employees	<ul style="list-style-type: none"> <li>Consideration of legality</li> <li>Use of ethical language (transparency/fairness)</li> </ul>	<p>Identifies the ethical issues surrounding downsizing and freezing pay</p> <ul style="list-style-type: none"> <li><b>Practical comments include:</b> <ul style="list-style-type: none"> <li>(i) Need for a fair and transparent redundancy process</li> <li>(ii) Danger of not following a fair process</li> <li>(iii) Need to meet redundancy payments when fall due</li> <li>(iv) Breach of implicit employee and employer relationship</li> <li>(v) Freezing pay increases the likelihood that skilled workers may leave MS and may be seen as constructive dismissal</li> <li>(vi) Will Founders own pay be frozen?</li> </ul> </li> </ul>

		<p>(vii) Pay freeze may demotivate employees. This presents a significant danger as poor workmanship may result in injury to customers</p> <p>(viii) Punitive effect of a pay freeze on non-Henton workers</p>
<p>(b) Change management issues of downsizing and mitigation</p>	<ul style="list-style-type: none"><li>• 'Forced Change' as per Johnson, Scholes and Whittington</li><li>• Barriers to change</li><li>• Change plan used in mitigating change management issues</li></ul>	<ul style="list-style-type: none"><li>• <b>Practical comments covering:</b><ul style="list-style-type: none"><li>(i) Type of change and the nature of change</li><li>(ii) Impact of the change on remaining employees and those made redundant</li><li>(iii) Impact on motivation</li><li>(iv) Consideration of the impact on other stakeholders, eg customers and suppliers</li><li>(v) Consideration of the wider implications of change such as the impact on structure and culture</li><li>(vi) The use of a structured approach to managing the change and mitigating the issues explored</li></ul></li></ul>
<p>(c) Evaluation of Jane Wise's suggestion</p>	<ul style="list-style-type: none"><li>• Generic understanding of factors to consider in pricing (eg costs, customers and competitors)</li><li>• Price elasticity</li><li>• Link between price and quality</li></ul>	<ul style="list-style-type: none"><li>• <b>Practical comments covering:</b><ul style="list-style-type: none"><li>(i) Reduction in selling price and quality</li><li>(ii) Comments on price elasticity and the impact that this may have on activity levels and redundancies</li><li>(iii) Need for market research</li></ul></li></ul>

Q2 Multi-Services Ltd	Knowledge	Skills
		<ul style="list-style-type: none"> <li>(iv) Problems with Jane Wise's suggestion including; reputation damage if quality is reduced and impact on MS's competitive position</li> <li>(v) Discusses competitive positioning in relation to price and perceived quality</li> </ul>

Q3 Cappen plc	Knowledge	Skills
3.1 Internal factors limiting the development of JudoJuice	Generic knowledge of resources, core competences, marketing and distribution	<ul style="list-style-type: none"> <li>• <b>Practical comments covering:</b> <ul style="list-style-type: none"> <li>(i) Adam's ability to successfully generate volume sales</li> <li>(ii) Independent development of JudoJuice v co-operation with a third party</li> <li>(iii) Problems currently facing Adam, including, the development of the container, scale of operations and marketing</li> <li>(iv) Factors in developing the container may include; financial resources, resources needed to test the container, lack of core competencies in developing containers</li> <li>(v) Factors concerning the scale of production operations may include; quality control issues and the problem of storing vast quantities of JudoJuice</li> <li>(vi) Factors concerning marketing and distribution may include; financial investment, a lack of marketing expertise and brand management</li> </ul> </li> </ul>

Q3 Cappen plc	Knowledge	Skills
3.2 (a) Memorandum which explains the advantages and disadvantages of Cappen's structure	<ul style="list-style-type: none"> <li>• Use of a memorandum format</li> <li>• Understands the key features of product-based divisionalisation and centralisation</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Benefits of Cappen's structure may include:</b> <ul style="list-style-type: none"> <li>(i) Management accountability for divisional profitability</li> <li>(ii) Specialisation</li> <li>(iii) Functional activities are dealt with at group level</li> <li>(iv) Speed of decision making</li> </ul> </li> <li>• <b>Disadvantages of Cappen's structure may include:</b> <ul style="list-style-type: none"> <li>(i) Increased overhead costs</li> <li>(ii) Stifles innovation</li> <li>(iii) Focus on maintaining the <i>status quo</i></li> <li>(iv) Demotivating effects</li> </ul> </li> </ul>
(b) Benefits and problems of Cappen working with Adam	Covers both benefits and problems	<ul style="list-style-type: none"> <li>• <b>Benefits of the JudoJuice project to Cappen may include:</b> <ul style="list-style-type: none"> <li>(i) Adam has unique access to the recipe</li> <li>(ii) Provides access to a new product with potential</li> <li>(iii) New product would complement existing products</li> <li>(iv) Use Adam's innovative skills</li> </ul> </li> <li>• <b>Problems of the JudoJuice project may include:</b> <ul style="list-style-type: none"> <li>(i) Issue of protecting intellectual property</li> <li>(ii) Lack of sustained Cappen management interest</li> <li>(iii) Unclear exit routes if venture fails</li> <li>(iv) Cappen would need to undertake significant financial investment</li> </ul> </li> </ul>



Q3 Cappen plc	Knowledge	Skills
(c) Evaluation of the desirability of a joint venture with Adam	<ul style="list-style-type: none"> <li>Understands the difference between a joint venture entity and joint venture arrangement</li> <li>Generic knowledge of pros and cons of JV</li> </ul>	<ul style="list-style-type: none"> <li>Discussion of the types of joint venture available</li> <li><b>Practical discussion of the desirability of a joint venture with Adam:</b> <ul style="list-style-type: none"> <li>(i) Cappen is likely to incur most of the cost and risk</li> <li>(ii) The JV should deliver more benefits to Cappen</li> <li>(iii) Adam wants to retain some control. This could be achieved through contractual agreements over the JudoJuice recipe</li> <li>(iv) Commonality of production processes</li> <li>(v) Overhead allocations</li> <li>(vi) A JV arrangement is not something Cappen appear to have been involved in before given the current structure of the organisation</li> </ul> </li> </ul>

