

Mark Scheme (Results)

June 2008

GCE

GCE Business Studies (6122/01)

General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Unit 6122/01 - June 2008

Question Number	Indicative content
1(a)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • The efficient use that a business makes of its resources • An explanation of how capacity can be measured <p>eg $\text{capacity utilisation} = \frac{\text{current output}}{\text{maximum possible output}} \times 100$</p> <ul style="list-style-type: none"> • any relevant comment / example <p style="text-align: right;">2 for a full explanation 1 for a reasonable attempt Total 2 marks</p>

Question Number	Indicative content
1(b)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • to keep costs low in order to meet objective of low prices (basis of IKEA Concept) • to be more efficient - maximum use of warehouse space and / or other resources eg stock will reduce average storage costs of flat pack furniture (fixed costs are spread over more units) • use of flat pack system saves space • empty space means that the expensive automated machinery is not being used to its full potential • poor use of capacity may mean that profit margins may have to be reduced to maintain competitive prices - may affect future investment. IKEA is in an increasingly competitive market (eg entry of Argos into market) • efficient use of space reduces costs <p><i>A Level 3 response will have analysed the importance to IKEA of using capacity efficiently in its distribution centres.</i></p> <p><i>Eg in order to achieve the IKEA “sacred concept”, prices must be kept as low as possible. Efficient capacity utilisation allows IKEA to reduce average storage costs by spreading fixed costs over more household goods. Unused capacity could mean that the expensive automated machinery is not being fully utilised leading to increasing average costs which may be passed on in the form of higher prices.</i></p> <p style="text-align: right;">Total 7 marks</p>

Level	Mark	Descriptor
Level 3	6-7	Candidate analyses the importance of efficient capacity utilisation in the context of IKEA’s distribution centres.
Level 2	3-5	Candidate applies knowledge of efficient capacity utilisation in the context of IKEA’s distribution centres.
Level 1	1-2	Candidate shows some knowledge of efficient capacity utilisation
	0	No rewardable material

Question Number	Indicative content
1(c)	<p>Valid points could include:</p> <p>Definition:</p> <ul style="list-style-type: none"> • lean production aims at reducing the quantity of resources used up in production - IKEA's first cornerstone • increased productivity and lower costs means savings can be passed on to customers in form of lower prices - IKEA "sacred concept" • lean production reduces waste (part of Kaizen concept and a key aspect of IKEA's conservation cornerstone) can be used for PR/marketing to promote the company's image and so increase sales - important in light of current concerns re conservation • Kaizen involves everyone in the company - it requires expensive training of co-workers (employees) and investment - not a problem for a large group such as IKEA but might be difficult to achieve due to global status • JIT reduces costs of holding stocks of household goods in IKEA stores and distribution centres <i>but</i> requires strong links with suppliers as well as an excellent distribution network - customer complaints indicate that IKEA stores sometime do suffer from stock out situations and this might lead to loss of reputation and ultimately sales as more competitors come into the market • <i>However</i>, context states that supplies are bought in bulk from all around the world, implying that JIT is not used in all areas of the business • Reduction in workforce <p>NB lean production does not adversely affect quality</p> <p><i>A Level 4 response will have judged the benefits and drawbacks to the IKEA Group of using lean production techniques in its operations.</i></p> <p><i>eg from the context it is clear that IKEA seeks to work efficiently and to reduce waste throughout its operations. The use of left over materials to make other products is a good example of this. Also it appears that a JIT delivery system is used to supply stores, however, this is not always efficient and has led to customer complaints. In conclusion, the use of lean production techniques can lead to reduced costs but IKEA does not appear to use them in all its operations, for example, buying raw materials. Therefore</i></p> <p><i>A Level 3 response will have identified possible benefits and/or drawbacks of using lean production techniques in this context, but will not have reached a conclusion as to whether or not the benefits outweigh the drawbacks.</i></p> <p><i>eg one benefit of lean production is that waste is reduced and so IKEA can use this in its marketing to emphasise the company's 'green credentials' . Therefore</i></p> <p style="text-align: right;">Total 11 marks</p>

Level	Mark	Descriptor
Level 4	8-11	Candidate assesses the benefits and drawbacks of using lean production techniques in this context and presents a valid conclusion.
Level 3	6-7	Candidate analyses the benefits and drawbacks of using lean production techniques in this context, and may present a one-sided answer.
Level 2	3-5	Candidate applies knowledge of lean production techniques in this context.
Level 1	1-2	Candidate shows some knowledge of lean production/production techniques.
	0	No rewardable material

Question Number	Indicative content
2(a)	<p>Valid response could include:</p> <ul style="list-style-type: none"> • Market orientation focuses on the requirements of consumers • Product orientation places the main focus on the firm and its product/production processes <p style="text-align: right;">2 if two correct 1 if only one correct Total 2 marks</p>

Question Number	Indicative content
2(b)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • Price And Product are the main elements of IKEA's marketing mix - price probably having the most influence given that the customers add value • Price - the main objective of the IKEA Group is to produce functional products at low prices (the IKEA "sacred concept") - designers and manufacturers are constantly searching for cost cutting ideas • Product - designers identify a need and design quality household products to meet that need - at lowest possible price - IKEA does not carry out expensive market research - <i>but</i> designers must have some awareness of what styles are currently fashionable in the furniture market • Flat packs help to keep prices low but problems have arisen from missing parts and indecipherable instructions <p>NB reference to only ONE element award bottom of level</p> <p><i>A Level 3 response will have discussed the focus and consequences of the IKEA Group's marketing mix in 2006.</i></p> <p><i>eg In order to achieve the IKEA " sacred concept" the company's main focus is on price. Products are designed and produced with the aim of keeping costs low. However, this might result in... Therefore</i></p> <p style="text-align: right;">Total 7 marks</p>

Level	Mark	Descriptor
Level 3	6-7	Candidate analyses the Price and Product elements of IKEA's unique marketing mix.
Level 2	3-5	Candidate applies knowledge of Price and Product elements of the marketing mix to IKEA's market.
Level 1	1-2	Candidate shows some knowledge of price and/or product or marketing mix.
	0	No rewardable material

Question Number	Indicative content
2(c)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • primary research would provide unique and up-to-date data for IKEA. Important as good design is a feature of the home furnishing market and as more competitors are entering the market IKEA must keep ahead • primary research would reduce design errors which might occur because of culture differences such as customers buying vases as drinking glasses • only IKEA would know the results and therefore would have an advantage over competitors such as MFI. • choice of research method can influence quality of response eg use of personal interviews carried out in IKEA stores would ensure good quality responses because the interviewer can use fabric samples. <i>However</i> interviewer bias can be introduced. • store customers could be asked their opinions on design and detailed responses could be gained <i>but</i> this would not provide data from non-customers (Why do they not shop at IKEA?) Would need to carry out a more general market survey and this could be very expensive due to IKEA's global market - would increase IKEA's costs and possibly increase prices of furniture • IKEA may need to employ a market research agency since it appears to have little or no experience • choice of sampling method could affect results - sample size must be large enough to reduce bias - sample must include all segments of the market - important for a global company such as IKEA with operations in 33 countries <p><i>A Level 4 response will have identified possible benefits and limitations to IKEA of using primary research to investigate its market before arriving at a conclusion as to whether or not primary research techniques would be useful.</i></p> <p><i>eg, primary research would provide unique and up-to-date data for IKEA. Identifying what the customer wants is important as good design is a feature of the home furnishing market and as more competitors are entering the market IKEA must keep ahead. Therefore In conclusion</i></p> <p><i>A Level 3 response will have identified possible benefits and/or drawbacks to IKEA of using primary research techniques in this instance. However, s/he will not have reached a conclusion as to whether or not it is appropriate for IKEA in its particular market segment.</i></p> <p><i>eg, one drawback of primary research is that IKEA has not really undertaken much primary research in the past and therefore would need to employ a research agency, particularly as it operates in a global market dominated by European consumer taste. However, primary research would</i></p> <p style="text-align: right;">Total 11 marks</p>

Level	Mark	Descriptor
Level 4	8-11	Candidate evaluates the usefulness to IKEA of adopting primary research techniques in its market and provides a valid conclusion.
Level 3	6-7	Candidate analyses the appropriateness to IKEA of adopting primary research techniques in its market. S/he may present a one-sided answer.
Level 2	3-5	Candidate applies knowledge of primary research techniques in the context of IKEA.
Level 1	1-2	Candidate shows some knowledge of primary research techniques/research.
	0	No rewardable material

Quality of Written Communication:

Quality of written communication will be assessed in question 2c by means of the following criteria:

Level 3 - if structured & developed

Candidate expresses ideas extremely clearly and fluently. Answers are very well structured. Arguments are consistently relevant and well developed. There are few, if any, errors in spelling, punctuation and grammar.

3 marks

Level 2 - structured

Candidate expresses moderately complex ideas clearly and answers are well structured. Arguments are generally relevant and developed. There may be some errors in grammar, punctuation and spelling.

2 marks

Level 1 - can be understood

Candidate expresses simple ideas clearly, but may be confused or imprecise in the expression of ideas. Answers are not well structured and arguments are weakly presented. There may be noticeable errors in spelling, grammar and punctuation.

0-1 Mark

Note: if candidate doesn't apply their response but points are still developed they can achieve top QWC mark.

Total 3 marks

Question Number	Indicative content
3(a)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • IKEA designs products, manufactures (or employs manufacturers) and distributes globally through its own 226 stores thus cutting costs associated with employing intermediaries • stores are situated close to centres of high population and good road links - ensuring access to large potential market - can benefit from marketing economies of scale • large automated distribution centres benefit from JIT stock control and also allow technical and managerial economies of scale to be achieved • majority of IKEA products are large and bulky - the use of flat packaging has enabled IKEA to keep distribution costs to a minimum - this saving is passed on to the customer in form of lower prices • Internet shopping - products can be purchased online from IKEA website • Good communication between suppliers, manufacturers, distribution centres and stores is vital if customers are to be kept satisfied - IKEA appears to have experienced some problems in the past • large amount of investment is necessary to ensure the stock management system operates smoothly - might be a problem in light of falling profits for 2006. • catalogues that are sent to customers cannot be used for mail orders <p><i>A Level 3 response will have analysed the benefits to the IKEA Group of its choice of distribution channel.</i></p> <p><i>eg, location and direct distribution channels keep costs low. The use of highly automated large distribution centres also minimises costs, thus allowing IKEA to benefit from technical, purchasing and managerial economies of scale. Therefore ...</i></p> <p style="text-align: right;">Total 8 marks</p>

Level	Mark	Descriptor
Level 3	7-8	Candidate analyses the benefits to the IKEA Group of its choice of distribution channel.
Level 2	4-6	Candidate applies knowledge of the benefits to the IKEA Group of its choice of distribution channel.
Level 1	1-3	Candidate shows some knowledge of distribution channels.
	0	No rewardable material

Question Number	Indicative content
3 (b)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • provides the IKEA Group with a unique selling point eg good function and design • creates a competitive advantage - increasingly important as more low cost competitors like Argos come into the market • the brand name IKEA has become synonymous with good design and low prices - this must be protected • IKEA name, corporate colours and Swedish food products are unique and memorable - reduces need for expensive advertising • need for franchisees to operate to the same or a higher standard • <i>however</i> it has taken a long time to build up a strong brand identity and IKEA must ensure that it maintains this status - bad publicity, such as poor customer service, can easily affect sales <p><i>A Level 4 response will have judged the benefits and drawbacks of a strong brand identity to the IKEA Group operating in a global market.</i></p> <p><i>eg the IKEA brand name has taken a long time to achieve its current status however it has provided a strong corporate identity which has led to large amounts of loyal customers who prefer to shop at an IKEA store. In conclusion,</i></p> <p><i>A Level 3 response will have identified possible benefits and/or drawbacks to the IKEA Group of a strong brand identity.</i></p> <p><i>eg once achieved a strong brand identity must be protected from adverse publicity as a result of eg the Edmonton, North London experience, therefore....</i></p> <p style="text-align: right;">Total 12 marks</p>

Level	Mark	Descriptor
Level 4	9-12	Candidate clearly assesses the importance of a strong brand identity in the context of the IKEA Group, and presents a valid conclusion.
Level 3	7-8	Candidate analyses the importance of a strong brand identity in the context of the IKEA Group, but may present a one-sided answer
Level 2	4-6	Candidate applies features of a strong brand identity in the context of the IKEA Group.
Level 1	1-3	Candidate shows some knowledge of brand identity/branding.
	0	No rewardable material

Total 60 marks
Quality of Written Communication 3 marks
Total for paper 63 marks