



GCE

New Business

H431/02: The UK business environment

Advanced GCE

Mark Scheme for June 2019

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotations

	Blank page
	Tick
	Cross
	Highlighting tool
	Not answered question
	Own Figure Rule
	Benefit of Doubt
	Repeat
	Noted but no credit given
	Too vague/No use of context
	Unclear
	Knowledge
	Application of knowledge and understanding
	Analysis
	Developed Analysis
	Evaluation
	Effective evaluation

EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read when the paper is printed out in black & white.

[Questions 1-7 & 13(a) should be annotated with ticks, crosses, BOD, REP, TV, OFR, NAQ or ?. The number of ticks plus OFR MUST match the final mark awarded for that question. Ticks MUST NOT be used in Questions 8-12 & 13(b).]

IT IS VITAL THAT YOU SHOW AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE. IN PARTICULAR, WHERE AOs ARE REACHED, SO THAT YOUR TEAM LEADER CAN LOOK TO AGREE WITH YOUR FINAL MARK.

Subject-specific Marking Instructions

INTRODUCTION

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

Levels of response – Level descriptors

	Knowledge and understanding/ Application	Analysis	Evaluation
Strong		An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
Good	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
Reasonable	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
Limited	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these four marks.

The descriptions in each levels of response question in this mark scheme describe a typical response at the top of that level.

USING THE MARK SCHEME

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co-ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co-ordination scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

INSTRUCTIONS TO EXAMINERS:

A INDIVIDUAL ANSWERS

- 1 The indicative content indicates the expected parameters for candidates' answers, but be prepared to recognise and credit unexpected approaches where they show relevance.
- 2 Be prepared to use the full range of marks. Do not reserve (e.g.) high Band marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

B TOTAL MARKS

- 1 The maximum mark for the paper is **80**.
- 2 The quality of extended responses is assessed in parts of this paper. The assessment of this skill is embedded within each of the levels and must be considered when determining the mark within the appropriate level

Answer		Marks	Guidance
1	<p>State two factors which may affect the choice of finance for a business.</p> <p>1 mark for each correct answer up to a maximum of 2 marks.</p>	<p>2 (AO1 2)</p>	<p>Factors include:</p> <ul style="list-style-type: none"> • Time (finance is needed for) • Legal structure/type of business • Size of business • Industry business is in • How new/established business is • Amount of capital needed • What finance is needed for • Current levels of debt/balance between debt & equity • Available security/collateral • Level of control business wants to retain • State of the economy • Past financial management record (e.g. poor cash-flow management or use of overdraft) <p>Make sure the two factors are different</p> <p style="text-align: right;">ARA</p>
2	<p>What is meant by 'opportunity cost'?</p> <p>2 marks for clear knowledge of the term 'opportunity cost'.</p>	<p>2 (AO1 2)</p>	<p><u>Exemplar responses</u></p> <p>The value of the next best alternative forgone (2) A choice has to be made which has a cost (1)</p> <p>There MUST be some sense of what is being given up as the next best option for full marks</p> <p>Candidates may provide a correct example to gain full marks</p>
3	<p>A business manufactures teddy bears. Its turnover for the last financial year was £280,000 with cost of sales of £115,000 and other expenses of £55,000. Calculate the gross profit for the business.</p> <p>2 marks for correct answer with or without workings</p> <p>1 mark for correctly identifying the formula (maybe implied by correct working or setting out)</p>	<p>2 (AO1 2)</p>	<p>Gross profit = Turnover – Cost of sales</p> <p>= £280,000 - £115,000 [1]</p> <p>= <u>£165,000</u> [1]</p> <p>An answer of 58.9% (gpm) is 1 mark if workings are shown</p> <p style="text-align: right;">No OFR</p>

Answer		Marks	Guidance
4	<p>'Intensity of rivalry within the industry' is one of the forces Porter identifies in his Five Forces model of strategic choice.</p> <p>List two of the other forces Porter identifies in his Five Forces model</p> <p>1 mark for each correct answer up to a maximum of 2 marks.</p>	<p>2 (AO1 2)</p>	<p>The remaining five forces are:</p> <ul style="list-style-type: none"> • Threat of substitute products (<i>threat must be at least implicit in the answer</i>) • Threat of new entrants (<i>threat must be at least implicit in the answer</i>) • Bargaining power of suppliers (<i>power must be at least implicit in the answer</i>) • Bargaining power of customers/buyers (<i>power must be at least implicit in the answer</i>) <p>Do not accept any reference to competition/rivalry in the industry as that is stated in the question</p>
5	<p>a Identify the base year for all of the data.</p> <p>1 mark for 2017</p>	<p>1 (AO1 1)</p>	<p>The base year is 2017 as all data is equal to 100 in that year</p>
	<p>b Identify the year in which productivity rose by 21%.</p> <p>1 mark for 2018</p>	<p>1 (AO2 1)</p>	<p>An increase from an index of 100 to 121 is a 21% increase</p>
	<p>c Calculate the percentage change in absenteeism from 2016 to 2018.</p> <p>2 marks for correct answer (with or without workings) and correct sign.</p> <p>1 mark for evidence of correct calculation attempted.</p>	<p>2 (AO2 2)</p>	<p>$-18/115 * 100 = \underline{-15.7\%}$ (accept - 16% or – 15.65%)</p> <p>A 'correct' answer with no negative sign gains 1 mark</p> <p>No percentage sign needed as that is stated in the question</p>

	Answer	Marks	Guidance
6	<p>Explain two disadvantages for a business of using job production.</p> <p>1 mark for each correct reason up to a maximum of 2 reasons, plus a further 1 mark for each of two developmental points.</p>	<p>4 (AO1 2) (AO2 2)</p>	<p>Disadvantages include:</p> <ul style="list-style-type: none"> • Less opportunity for economies of scale (1) – as output levels will be low (1) • Harder to recruit staff (1) – as they will need to be more skilled so less of them (1) • Higher costs (1) – as need more skilled workers/more training (1) • More time consuming (1) – so leads to higher unit costs (1) • Less responsive to changing level of customer demand (1) – as production will be a slower process (1) • Harder to judge costs/price of product (1) – it may not have been done before so not easy to forecast costs (1) <p>Make sure the disadvantages are for the business rather than any other stakeholder, such as the employee.</p> <p>Make sure the two disadvantages are clearly different.</p> <p>Do not reward higher costs/unit costs as the disadvantage in more than one answer, although it may still be rewarded as an explanation for ‘time consuming’.</p> <p style="text-align: right;">ARA</p>

	Answer	Marks	Guidance
7	<p>Explain two functions of management.</p> <p>1 mark for each correct function up to a maximum of 2, plus a further 1 mark for each of two developmental points.</p>	<p>4 (AO1 2) (AO2 2)</p>	<p>Functions include:</p> <ul style="list-style-type: none"> • Communicating (1) – making sure that superiors/ subordinates/colleagues are kept informed of what is happening or required of them (1) • Controlling (1) – ensuring that subordinates are carrying out their job and/or dealing with those who do not (1) • Co-ordinating/Planning/Organising/ (1) – arranging work schedules etc. (1) • Setting objectives (1) – so that the business/staff are working with a clear purpose (1) • Problem-solving (1) – by taking responsibility for issues and find a solution to them (1) • Decision-making (1) – to help transform management objectives into day-to-day actions by subordinates (1) • Motivating/Leading (1) – using motivational/ leadership techniques/theory to ensure that subordinates work as efficiently as possible (1) • Monitoring progress (1) – ensuring that the department is working towards any targets (1) <p>Make sure the two functions are clearly different.</p> <p>Answers which take a purely functional approach can receive a maximum of 2 marks for the co-ordination aspect.</p> <p style="text-align: right;">ARA</p>

	Answer	Marks	Guidance
8	<p>Analyse one way in which the directors of Hotel Chocolat would benefit from using budgets.</p> <p>Level 2 (3–4 marks) Candidate shows reasonable knowledge and understanding and shows good analysis of one way Hotel Chocolat’s directors benefit from using budgets.</p> <p>Level 1 (1–2 marks) Candidate shows limited knowledge and understanding of one way Hotel Chocolat’s directors may use budgets.</p> <p>(NB – award one mark for a non–contextualised reason)</p> <p>0 marks no response or no response worthy of credit</p>	<p>4 (AO1 1) (AO2 1) (AO3 2)</p>	<p>Possible benefits may include:</p> <ul style="list-style-type: none"> • Can help to measure the efficiency of the firm’s activities • Helps to measure productivity of staff • Provides information for directors/shareholders • Helps to maintain adequate cash-flow • Helps when trying to raise finance • Helps to provide the business with a strategic perspective <p>Exemplar response Hotel Chocolat may need to raise finance (K). This may be necessary to pay for the new shops (APP). If the business needs to approach a bank to raise this money, the bank will want to see that the expansion is likely to be successful which may be shown in the budget (AN). The bank is then more likely to grant the loan (AN).</p> <p style="text-align: right;">ARA</p>
9	<p>Evaluate the impact on the directors of Hotel Chocolat of the decision to float the business on the London stock market and so become a public limited company.</p> <p>Level 3 (7–9 marks) Candidate shows strong knowledge and understanding, analysis and evaluation of the impact on the directors of floating Hotel Chocolat on the stock market.</p> <p>Level 2 (4–6 marks) Candidate shows good knowledge and understanding, analysis and evaluation of the impact on the directors of floating Hotel Chocolat on the stock market.</p> <p>Level 1 (1–3 marks) Candidate shows limited knowledge and understanding of floating a business with limited or no analysis and</p>	<p>9 (AO1 2) (AO2 2) (AO3 2) (AO4 3)</p>	<p>Floating a business on the stock market by becoming a plc may have a number of good or bad effects on the directors:</p> <ul style="list-style-type: none"> • Shares may be traded more easily which allows for easier access to finance so reducing the financial drain on the directors • The business is more likely to be taken over so that the directors may lose control of the business or, at the least, have to pander to outside investors • An AGM must be held where ALL shareholders have the right to vote on certain matters, such as the election of directors • A plc has greater, more detailed, reporting requirements to its shareholders with more complicated accounting procedures <p>There is a significant amount of context in the resource booklet which may be referred to, including:</p> <ul style="list-style-type: none"> • Extract A refers to all of the statutory reporting which the

	Answer	Marks	Guidance
	<p>evaluation of the impact on Hotel Chocolat's directors.</p> <p>(NB – award maximum of two marks for non-contextualised response).</p> <p>0 marks no response or no response worthy of credit.</p>		<p>firm has had to fulfil - 11 sets of documents in only 12 months. This will increase the workload (and responsibility) of the directors.</p> <ul style="list-style-type: none"> • Extract A also mentions the AGM. This will allow shareholders to question the directors so again they will have to be well prepared and defend their running of the business- this will have been unnecessary in the past. • There is much current rationalisation in this industry at present (as shown by the Ferrero takeover of Thorntons). The flotation of Hotel Chocolat, and its recent huge success, may now make competitors more aware of them and see them as a prime takeover target. <p>Evaluation is likely to come from recognising that the original owners/directors, Angus and Peter, have retained two-thirds of the shares for themselves. This will mean that they can be less worried about takeover or accountability to other shareholders. However, the directors will still need to retain the support of the external shareholders to ensure adequate support of the share price (which may be security for any external bank lending).</p> <p>Better answers may focus on the impact on the firm's directors (even if there is only reference to Angus & Peter), as one stakeholder, rather than the firm in general.</p> <p style="text-align: right;">ARA</p>
10*	<p>Evaluate whether the advantages of product innovation for Hotel Chocolat outweigh the disadvantages.</p> <p>Level 3 (11–15) Candidate shows strong knowledge and understanding, analysis and evaluation of the advantages and disadvantages of innovation for Hotel Chocolate.</p> <p><i>There is a well-developed line of reasoning which is</i></p>	<p>15 (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>Innovation may create a range of advantages for Hotel Chocolat. Candidates may consider areas such as 'being innovative with ICT', or 'innovative in the ways they motivate their staff' - or any functional area. However, the areas for which there is considerable context include:</p> <p>Better customer focus. Hotel Chocolat may gain from 'first mover advantage'. The unusual texture of the 'giant slabs' and the novelty of items inside the Easter egg, for example, may give the business the necessary USP in what is a very</p>

	Answer	Marks	Guidance
	<p><i>clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 2 (6–10) Candidate shows good knowledge and understanding, analysis and evaluation of the advantages and disadvantages of innovation for Hotel Chocolate.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p>Level 1 (1–5) Candidate shows limited knowledge and understanding of innovation with limited or no analysis and evaluation of the consequences for Hotel Chocolat.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>NB – award maximum of two marks for non–contextualised impacts.</p> <p>0 marks no response or no response worthy of credit.</p>		<p>competitive industry.</p> <p>Premium pricing. Having an innovative, distinctive product allows a business to charge higher prices. This may be expected for the sort of premium products which Hotel Chocolat produces. This innovative approach is certainly benefiting the business as seen by the rapid increase in turnover (12% last year) and the high average customer spend figure.</p> <p>Allows entry to new markets. Hotel Chocolat seem very proud of the innovation behind their cafés. It is another way of getting their brand name onto the high street and maybe to a different group of customers. Ansoff’s Matrix could be referred to, as this appears to be an example of product differentiation (and possibly market differentiation as well- so leading to diversification). The typical ‘coffee shop’ customer, whether that be ‘ladies what lunch’, ‘post or pre-school run parents’, ‘business people without an office’ or ‘teenagers using the wi-fi’ may now be made aware of Hotel Chocolat’s main product so there is a good degree of synergy from the café concept.</p> <p>Innovation can also create problems.</p> <p>Higher costs. We are told in Extract B about the main innovation behind Hotel Chocolat’s product is the higher cocoa content. This is much more expensive than the alternative ingredient, which is sugar, and is one reason why the standard product sold by the larger brand names is much cheaper. Another innovation cost for Hotel Chocolat is the fact it owns its own estate in Saint Lucia. This would not be seen as a ‘core activity’ by a traditional chocolate retailer as it would be cheaper to buy cocoa from a wholesaler or farming co-operative. However, the evidence suggests that these costs are not an issue for Hotel Chocolat as we are told that average profit margins exceed 10% and are growing.</p>

	Answer	Marks	Guidance
			<p>Protection of new ideas. Companies which innovate may need to spend a lot of money on patents and copyright although this may still not prevent copies. Given the 'standard' nature of Hotel Chocolat's products it may be difficult, if not impossible, to protect its innovative concepts. Especially as a smaller company, it may struggle to prevent the 'big players' such as Cadbury and Mars from just replicating new products which Hotel Chocolat produces. This may be one reason for opening the cafés as this is something which their competitors would not consider.</p> <p>Better answers will consider the advantages of innovation against the disadvantages. In the case of Hotel Chocolat, these appear to be focussed on it being a grower and retailer of cocoa/chocolate, rather than just a manufacturer. This will allow the business to make much greater ethical/environmental claims than its competitors- most of which can only rely on the use of 'fairtrade' cocoa which is now too commonly found to be a USP and is questioned by many customers as having any real benefit to the growers.</p> <p style="text-align: right;">ARA</p>
11	<p>Evaluate the extent to which HC may be affected by the changing world price of cocoa.</p> <p>Level 3 (7–9 marks) Candidate shows strong knowledge and understanding, analysis and evaluation of the impact of changing cocoa prices on Hotel Chocolat.</p> <p>Level 2 (4–6 marks) Candidate shows good knowledge and understanding, analysis and evaluation of the impact of changing cocoa prices on Hotel Chocolat.</p>	<p>9 (AO1 2) (AO2 2) (AO3 2) (AO4 3)</p>	<p>Fig. 1 shows that the world price of cocoa increased through most of 2015 before falling, mainly since July 2016 before becoming steady since March 2017.</p> <p>Standard theory would suggest that these changes in raw material costs will work through the supply chain to increase the overall price of the finished product sold by Hotel Chocolat in its shops. This will be particularly an issue for Hotel Chocolat as we are told that the cocoa content of their chocolate is particularly high (between 36% and 50%) compared to their competitors who use cheaper sugar.</p> <p>However, there are two reasons why these changing costs may</p>

	Answer	Marks	Guidance
	<p>Level 1 (1–3 marks) Candidate shows limited knowledge and understanding of raw material costs with limited or no analysis and evaluation of the impact on Hotel Chocolat.</p> <p>(NB – award maximum of two marks for non-contextualised response).</p> <p>0 marks no response or no response worthy of credit.</p>		<p>be less of an issue for Hotel Chocolat:</p> <ul style="list-style-type: none"> • It has its own cocoa suppliers in Saint Lucia. This may mean that Hotel Chocolat is less affected by prices on the world market as it will not need to buy much (or any - we do not know if it grows all of its own cocoa). • Hotel Chocolat produces a premium product at a premium price. The fact that profit margins have remained steady during this period of fluctuating prices suggests that it is not affected much by the world price of cocoa. <p>Accept answers which conclude that Hotel Chocolat is or is not affected by the changing world prices. Better answers are likely to consider that the company is only affected to a certain degree.</p> <p style="text-align: right;">ARA</p>
12	<p>Analyse one primary market research technique that Hotel Chocolat may have used when deciding to locate its Peterborough shop in the Queensgate shopping centre.</p> <p>Level 2 (3–4 marks) Candidate shows reasonable knowledge and understanding and shows good analysis of a primary market research technique which Hotel Chocolat may have used.</p> <p>Level 1 (1–2 marks) Candidate shows limited knowledge and understanding of a primary market research technique.</p> <p>(NB – award one mark for a non-contextualised reason)</p> <p>0 marks no response or no response worthy of credit</p>	<p>4 (AO1 1) (AO2 1) (AO3 2)</p>	<p>Primary research techniques include:</p> <ul style="list-style-type: none"> • Interviews- these may be face-to-face or remote • Questionnaires/Surveys- these can also be done face-to-face or remote (especially online) • Observation- in the shop or location of the business • Consumer panels/Focus groups- to test or discuss a product or brand • Trial marketing- a product may be launched in a limited number of locations <p>NO reward for any reference to secondary market research techniques</p> <p>Exemplar response The business may have used observation (K). Researchers may have visited the shopping centre and identified what other shops are nearby. Being able to observe and record the footfall around shops such as Pandora and John Lewis (APP) (AN), may help to decide on location (AN).</p> <p style="text-align: right;">ARA</p>

		Answer	Marks	Guidance
13	a	<p>Using data from Extract A, calculate the income elasticity of demand for Hotel Chocolat's products over this period.</p> <p>4 marks for correct answer (with or without correct working) 3 marks for correct answer but with any units or a negative sign 1 mark for correctly calculating the percentage change in income of 1.9% 1 mark for evidence that the figure of 12% has been used from Extract A 1 mark for evidence of a correct formula (maybe implied)</p> <p>Answers which use 18% instead of 12%, giving an answer of 9.28, can be awarded 3 marks if all workings are clear</p> <p>Accept calculations which have rounded 1.94 to 1.9 for any mark</p>	<p>4 (AO1 2) (AO2 2)</p>	<p>YED = $\frac{\text{Percentage change in Q}}{\text{Percentage change in Income}}$ (1)</p> <p>Percentage change in Income = $(9/465) * 100 = 1.94\%$ (1)</p> <p>YED = 12% (1) / 1.94%</p> <p>= (+) 6.19 (Accept 6.2 or 6)</p> <p style="text-align: right;">OFR</p>
13*	b	<p>Recommend an appropriate promotional mix as part of Hotel Chocolat's future marketing strategy. Justify your answer.</p> <p>Level 3 (11–15) Candidate shows strong knowledge and understanding, analysis and evaluation of an appropriate promotional mix for Hotel Chocolat in the future.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 2 (6–10) Candidate shows good knowledge and understanding,</p>	<p>15 (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>Given the information provided in Extract E, answers should revolve around the elements of a promotional mix and how these may achieve the three aims of capturing the attention of, educating and influencing purchases by customers. Any suggestions should be relevant to the context of a premium brand in a highly competitive market.</p> <p>Advertising – this may draw on the innovative nature of Hotel Chocolat's products, its rebuilding of the cocoa industry in Saint Lucia or the high quality (cocoa content) of the chocolate. Answers may consider the most appropriate media to use for this advertising. This is linked to 'education' and 'influencing'</p> <p>Personal selling – the way in which Hotel Chocolat may achieve this is via its shops and cafés, where its staff can</p>

	Answer	Marks	Guidance
	<p>analysis and evaluation of an appropriate promotional mix for Hotel Chocolat in the future.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p>Level 1 (1–5) Candidate shows limited knowledge and understanding of promotional mix concepts but with limited or no analysis and evaluation.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>NB – award maximum of two marks for non-contextualised impacts.</p> <p>0 marks no response or no response worthy of credit.</p> <p>No reward for answers which consider any of the other 4Ps.</p>		<p>interact with customers. This may especially be true with occasional or passing trade which is often the case with its railway-based locations where often staff are stood outside with product samples to help capture the attention of customers.</p> <p>Direct marketing - this is probably the least relevant given that Hotel Chocolat is both a retailer and in a premium market, where mailshots are less likely. One suggestion could be with regards to new outlets in shopping centres (such as Peterborough) where staff may hand out leaflets around the rest of the shopping centre with introductory offers etc. This is particularly trying to achieve the aim of ‘catching the attention of customers’.</p> <p>Sales promotion – these need to be relevant to the firm’s image/product. One which it often uses is BOGOF (or similar promotions, such as 3 for 2) often to encourage customers to try new flavours or products. Another obvious example, especially in the cafés or online, would be some form of loyalty card scheme – the business has, in fact, recently introduced a trial loyalty scheme. Reference may be made to the value of YED calculated in Q12a (OFR).</p> <p>Public Relations – these may be closely linked to any advertising. Much has already been made by the business in newspaper articles and online of its cocoa estate in Saint Lucia. Another factor which may be exploited in the current political climate is the lower sugar content of Hotel Chocolat’s products and how this can allow consumers to eat chocolate without such a concern about obesity. Very much aimed at ‘education’ and ‘influencing’ of customers.</p> <p>Better answers will explicitly consider how any suggestions help Hotel Chocolat’s marketing strategy in the future, rather than what they may, or may not have done, in the past.</p> <p style="text-align: right;">ARA</p>

H431/02

June 2019

APPENDIX 1 – GRID FOR 2019 EXAMINATION

Question	AO1	AO2	AO3	AO4	Total	Quantitative skills
Section A						
1	2	-	-	-	2	
2	2	-	-	-	2	
3	2 (2)	-	-	-	2	2
4	2	-	-	-	2	
5	1 (1)	3 (3)	-	-	4	4
6	2	2	-	-	4	
7	2	2	-	-	4	
Sub-Total	13	7	-	-	20	6
Section B						
8	1	1	2	-	4	
9	2	2	2	3	9	
10	2	2	4	7	15	
11	2	2	2	3	9	
12	1	1	2	-	4	
13(a)	2 (2)	2 (2)	-	-	4	4
13(b)	2	2	4	7	15	
Sub-Total	12	12	16	20	60	4
Total	25	19	16	20	80	10

OCR (Oxford Cambridge and RSA Examinations)
The Triangle Building
Shaftesbury Road
Cambridge
CB2 8EA

OCR Customer Contact Centre

Education and Learning

Telephone: 01223 553998

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