



**GCE**

**New Business**

**H431/03: The global business environment**

Advanced GCE

**Mark Scheme for Autumn 2021**

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, Cambridge Nationals, Cambridge Technicals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

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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## 1. 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, 8(a) & 8(b) 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(c) - Q13.]**

**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

	<b>Knowledge and understanding/ Application</b>	<b>Analysis</b>	<b>Evaluation</b>
<b>Strong</b>		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.
<b>Good</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.

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.

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**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

Question		Answer	Mark	Guidance
1		<p><b>State two financial objectives that an organisation such as Nike might have for the coming year</b></p> <p>1 mark for each correct statement</p>	<p><b>2</b> (AO1 2)</p>	<p>Possible financial objectives:</p> <ul style="list-style-type: none"> <li>• Increase revenue</li> <li>• Increase profit</li> <li>• Increase brand value</li> <li>• Increase share price</li> <li>• Decrease costs</li> <li>• Decrease advertising expenditure</li> </ul> <p><b>ARA</b></p>
2		<p><b>Explain two factors which enable Nike to be a globalised business.</b></p> <p>1 mark for each correct factor that enables globalisation.</p> <p>1 additional mark for each explanation in context, up to a maximum of 2 marks, twice.</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	<p>Possible factors that enable globalisation:</p> <ul style="list-style-type: none"> <li>• Internet</li> <li>• Communication technologies</li> <li>• E-commerce</li> <li>• Trade liberalisation</li> <li>• Transport</li> <li>• Infrastructure</li> <li>• Containerisation</li> <li>• Multinationals</li> </ul> <p>Exemplar response: Transportation improvements (1) have enabled Nike to become fully globalised as it outsources all production abroad and thus relies on efficient moving of its goods from its suppliers to warehouses in, e.g., USA. (1)</p> <p><b>ARA</b></p>

3*		<p><b>Evaluate the extent to which Nike's marketing strategy is likely to be affected by external influences.</b></p> <p><b>Level 4 (16-20 marks)</b> Candidate shows <b>strong</b> knowledge, understanding, analysis and evaluation of the effects of external influences on Nike's marketing strategy <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><b>Level 3 (11-15 marks)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of the effects of external influences on Nike's marketing strategy <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><b>Level 2 (6-10 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding, analysis and evaluation of the effects of external influences on Nike's marketing strategy <i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p><b>Level 1 (1-5 marks)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis and evaluation of the effects of external influences on Nike's marketing strategy <i>The information is basic and communicated in an unstructured way. The information is supported by</i></p>	<p><b>20</b> (AO1 2) (AO2 4) (AO3 6) (AO4 8)</p>	<p><b>The impacts must be on Nike's <u>marketing</u> – not its general operations, human resources or other. That can include any/all of price, product, promotion and placement.</b></p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Social trends/demographics</li> <li>• Legislation (both UK and any reasonable worldwide legislation)</li> <li>• Economic impacts (eg economic cycles, exchange rates, income, interest rates, taxation, unemployment)</li> <li>• Political change</li> <li>• Technology</li> <li>• Ethics</li> <li>• Environmental issues</li> <li>• Competition</li> </ul> <p>Exemplar response: Social trends will have a huge impact on Nike's marketing. There is an increased awareness of such issues as obesity and many governments (a political issue as well) are trying to promote having healthier populations. This has meant that Nike's products might need to adapt to potentially new markets of consumers who are not used to exercise but want to get fit – think fewer football boots, more 'fitbits'! This opens up many new opportunities in terms of product range, although the pricing of these, bearing in mind the likely high price elasticity of new converts to fitness and the ways in which they will be reached – Nike must think carefully about appropriate promotions that send the right 'messages' and placement of products. Such growth areas as these would suggest that Nike would have to seriously (and has been) overhaul its marketing to be successful and so, as a forward thinking firm, Nike's marketing will be massively affected by social change.</p>
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		<p><i>limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<b>ARA</b>
<b>4</b>	<b>(a)</b>	<p><b>With reference to Tables 1 &amp; 2, calculate the advertising elasticity of demand from 2014 to 2018.</b></p> <p>3 marks for a correct answer – whether or not working is shown</p> <p>1 mark for the AED formula or correct calculation of actual changes.</p> <p>1 mark for correctly calculating the two correct percentage changes</p> <p>1 mark for the correct AED answer</p>	<p><b>3</b> (AO1 1) (AO2 1) (AO3 1)</p>	<p>Contribution for total order = Revenue – MC of order</p> <p>AED = % change in sales revenue/% change in advertising expenditure (1)</p> <p><math>(8.598/27.799 \times 100) / (0.55/3.03 \times 100) = 30.93/18.15</math> (1)</p> <p>= <b>1.7</b> (1) (accept rounding) <b>OFR</b></p>
<b>4</b>	<b>(b)</b>	<p><b>Explain what Tables 1 &amp; 2 show about the success of Nike's advertising expenditure.</b></p> <p>1 mark for stating elastic (or explaining it) OFR applies 1 mark for explaining the link to Nike's success.</p>	<p><b>2</b> (AO2 2)</p>	<p>+1.7 = elastic The sales revenue rose more quickly than the increase in advertising expenditure.</p> <p>Exemplar response: The measure is elastic. (1) This means that the advertising was successful as the revenue from sales went up more than the rise in the cost of advertising. (1)</p> <p><b>ARA</b></p>

Question	Answer	Mark	Guidance
5	<p><b>Analyse one reason why Nike might want to have an ethical human resources strategy.</b></p> <p><b>Level 2 (4-6 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and <b>good</b> analysis why Nike might want to have an ethical HR strategy</p> <p><b>Level 1 (1-3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis of why Nike might want to have an ethical HR strategy</p> <p><b>NB</b> – award <b>one</b> mark for non–contextualised answer.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p><b>6</b> (AO1 1) (AO2 1) (AO3 4)</p>	<p>Nike might want an ethical HR strategy because:</p> <ul style="list-style-type: none"> <li>• It genuinely cares about its staff (which largely means those working for its suppliers)</li> <li>• It sees it as a marketing opportunity</li> <li>• It is worried about the legal implications of not having one</li> <li>• It wants to increase morale/motivation (both at Nike and in its supply chain)</li> <li>• It wants to increase retention/improve recruitment (and in supply chain)</li> </ul> <p>Exemplar response: Having an ethical human resources strategy is important to Nike because it operates in an industry where its supply chain is very ‘newsworthy’ and there are a lot of competing sportswear firms who customers could go to if they don’t get the impression that Nike looks after its suppliers – particularly in terms of child labour and working conditions. Nike has had bad press in the past and knows the repercussions and so would target HR and ethics as a very specific marketing ‘win’ if it can possibly improve in that respect (which appears to have done).</p> <p><b>ARA</b></p>

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6		<p><b>Discuss why Nike might choose to outsource in this way.</b></p> <p><b>Level 3 (7-10 marks)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of why Nike might outsource in this way</p> <p><b>Level 2 (4-6 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding, analysis and evaluation of why Nike might outsource in this way</p> <p><b>Level 1 (3-3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis and evaluation of why Nike might outsource in this way</p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p><b>10</b> (AO1 2) (AO2 2) (AO3 3) (AO4 3)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Cuts costs</li> <li>• Increases competitiveness</li> <li>• Reduces/spreads risk</li> <li>• Possibly increases quality</li> <li>• Convenience</li> </ul> <p>Exemplar response: Because Nike is able to more efficiently produce its product and reduce costs due to outsourcing, it can more competitively price its products. This enables Nike to price its brand at a competitive rate with other companies that sell a similar product. This might be enhanced by exchange rates and intelligent sourcing of raw materials. Decreasing competition can help Nike corner the market for its particular products and it is particularly the impact on its prices that makes the difference, given the extent of competition from Adidas, Reebok and the like.</p> <p><b>ARA</b></p>
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7	(a)	<p><b>Explain what is meant by a 'normal distribution'.</b></p> <p>1 mark for knowledge of a normal distribution. 2 marks for an explanation of a normal distribution.</p>	<p><b>2</b> (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• All data is symmetrical about the mean</li> <li>• Mean = mode = median</li> <li>• 3 standard deviations either side of the mean</li> <li>• In graphical form it produces a bell curve</li> <li>• data near the mean are more frequent in occurrence than data far from the mean.</li> </ul> <p>There is NO context required.</p> <p>Exemplar response: Data that is normally distributed means that 50% of the data set falls either side of a mean value. (1) This value is also the modal and median value and the data is then split into 3 standard deviations on either side. (1)</p> <p><b>ARA</b></p>
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7	(b)	<p><b>Calculate the standard deviation.</b></p> <p>3 marks for a correct answer – with or without working.</p> <p>Process marks (if no correct answer):</p> <ul style="list-style-type: none"> <li>• 1 mark for the formula (can be implied from the use of figures).</li> <li>• 1 mark for correctly calculating adding up the <b>Frequency × (size – mean)<sup>2</sup></b> from Table 4.</li> <li>• 1 mark for dividing by the number in sample and square root. To give an answer.</li> </ul>	<p><b>3</b></p> <p>(AO1 1) (AO2 1) (AO3 1)</p>	<p>Formula <math display="block">\sigma = \sqrt{\frac{\sum (x - \text{mean})^2}{n}}</math></p> <p>(1)</p> <p>Top of formula (ie adding the bottom row) = 139 (1)</p> <p>Divide by 60 and sq root = 1.52 (1)</p>
7	(c)	<p><b>Analyse how two external economies of scale may benefit Sportmania.</b></p> <p><b>Level 2 (4-6 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and <b>good</b> analysis of external economies of scale that a sports retailer could experience</p> <p><b>Level 1 (1-3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis of external economies of scale that a sports retailer could experience</p> <p><b>NB</b> – award <b>one</b> mark for non–contextualised answer.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p><b>6</b></p> <p>(AO1 2) (AO2 2) (AO3 2)</p>	<p>Possible external EOS include:</p> <ul style="list-style-type: none"> <li>• Support services gravitate to the area</li> <li>• Shared staff training/recruitment gains</li> <li>• Joint projects/research</li> </ul> <p>Exemplar response: Locating near similar firms is likely to achieve the external economy of scale of gaining from support services. Large sportswear (and even unrelated) firms are likely to attract many support businesses to the area that would not otherwise locate there. They thus gain from services from the local lunchtime sandwich maker to the very specific distribution firms or IT/systems management firms that might not otherwise locate nearby to a one-off sportswear retailer but will because of the concentration of similar firms (who are their customers).</p> <p><b>ARA</b></p>

Question		Answer	Mark	Guidance
7	(d)	<p><b>Calculate the average 'World Cup' cyclical variation.</b></p> <p>2 marks for a correct answer – whether or not working is shown</p> <p>Process marks (if no correct answer):</p> <ul style="list-style-type: none"> <li>• 1 mark for calculating the two variations for 2014 and 2018</li> <li>• 1 mark for calculating the average cyclical variation</li> </ul>	<p><b>2</b></p> <p>(AO2 2)</p>	<p>Calculation</p> <p>2014 variation = <math>57 - 42.67 = 14.33</math></p> <p>2018 variation = <math>62 - 49.67 = 12.33</math></p> <p>Have to get both variations (1)</p> <p><math>(14.33 + 12.33) / 2 = \mathbf{+13.33}</math> (1)</p>

8*		<p><b>Evaluate the extent to which Nike can be considered as successful.</b></p> <p><b>Level 4 (16-20 marks)</b> Candidate shows <b>strong</b> knowledge, understanding, analysis and evaluation of the extent to which Nike might be viewed as globally successful <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><b>Level 3 (11–15 marks)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of the extent to which Nike might be viewed as globally successful <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><b>Level 2 (6-10 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding, analysis and evaluation of the extent to which Nike might be viewed as globally successful <i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p><b>Level 1 (1-5 marks)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no</b> analysis and evaluation of the extent to which Nike might be viewed as globally successful <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><b>20</b> (AO1 2) (AO2 4) (AO3 6) (AO4 8)</p>	<p><b>Analysis and evaluation may focus on the global nature of Nike and involve a variety of stakeholders.</b></p> <p><b>Also, credit any argument that seeks to define ‘success’</b></p> <p>Stakeholders include:</p> <ul style="list-style-type: none"> <li>• Consumers - they want quality, price, choice, brand image etc</li> <li>• Employees – Nike’s own employees who want decent wages, conditions etc</li> <li>• Suppliers/employees – non-exploitation, fair price etc</li> <li>• Owners/shareholders – market value, share price, profits</li> <li>• Government – taxation &amp; employment</li> <li>• Competitors</li> <li>• International/Local environments – pollution, fair trade practices etc</li> </ul> <p>Exemplar response: Nike is the world’s most recognised sportswear brand. It has a brand value far in excess of close rival Adidas (see Extract A), a massive market share and increasing revenues year-on-year (Extract A) as well as a share price that seldom stops rising. Therefore, by a number of financial/market measures, Nike is a successful firm, and globally so. These huge revenues would ensure continued investment in better technologies, supply chains and products, inevitably leading to yet further success. The winners here are clearly anyone shareholder/owner group, but there would be some ‘trickle down’ to wages and better conditions for both direct employees and those employed further down the supply chain. However – simply huge profits and revenues does not mean Nike is successful if one looks at a broader definition. The gains in the developed</p>
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		<p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p>world financially and, perhaps, from a consumers point of view (although are training shoes really that important?) are not necessarily reflected elsewhere. Nike has had very public approbation regarding its employment/supplier practices with regards to human rights and child labour – the infamous ‘sweat shops’. That said, they have provided jobs where perhaps there were none before and even in the developing world Nike has been a force for good and, therefore, a ‘success’.</p> <p><b>ARA</b></p>
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