Oxford Cambridge and RSA

A Level Business

H431/03 The global business environment

Sample Resource Booklet Version 1.1

Time allowed: 2 hours

Instructions to candidates

- This is a resource booklet
- You should refer to it when answering the examination questions which are printed in a separate booklet
- The business described in this Case Study is a real business

Information

- This document consists of **8** pages. Any blank pages are indicated.

Starbucks

Extract A Starbucks' mission

Starbucks is the largest coffeehouse company in the world, with 16 120 stores in 49 countries. Starbucks sells freshly brewed coffee; espresso-based hot drinks; other hot and cold drinks, snacks, and items such as mugs and coffee beans. Through the Starbucks Entertainment division and Hear Music brand, the company also markets books, music and film.

Starbucks' mission statement is 'Establish Starbucks as the premier purveyor (seller) of the finest coffee in the world while maintaining our uncompromising principles while we grow.'

Its six principles are:

1. Provide a great work environment and treat each other with respect and dignity

2. Embrace diversity as an essential component in the way we do business

3. Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee

4. Develop enthusiastically satisfied customers all of the time

5. Contribute positively to our communities and our environment

6. Recognize that profitability is essential to our future success.

Extract B Starbucks' Porter's Five Forces analysis (USA market)

Porter's Five Forces	Details
Rivalry among competing firms	There is intense competition in the coffee market amongst established coffee shops that are fighting to get customers. There are local coffee shops offering specials to lure potential customers in. Restaurants are opening earlier and closing later to accommodate customers on the go. With 85% of North American customers taking their coffee to go, convenience is a major factor.
Potential of new competitors	There is a great deal of risk of entry by potential competitors due to the low start-up costs. McDonalds is able to add speciality coffee to its existing services to tap into the speciality coffee market. There is potential of US$125 000 per year in revenue to be made by each store if they are able to successfully enter the speciality coffee market.
Potential development of substitute products	Water is a substitute which is healthy for us and it is free. The option to buy bottled water is also inexpensive compared to coffee. With a focus on healthier living, water is the ultimate choice.
Bargaining power of suppliers	There is more bargaining power for suppliers of technological innovations, such as automated coffee machines, latte and espresso machines because there are not as many suppliers of such equipment as there are of coffee beans.
Bargaining power of consumers	Customers did not really have bargaining power when it came to premium coffee such as Starbucks. The sheer scale of Starbucks' business reduces the bargaining power of any single group of buyers.

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Extract C Starbucks growth

Extract C is about Starbucks' growth. This item has been removed due to third party copyright restrictions.

A copy of the extract is available at www.investopedia.com

The extract opens 'The number of Starbucks coffee shops that flooded the market' and finishes at 'the use of Starbucks cards at Teavana stores'.

Fig.1 is a graph showing Starbucks corporation share prices from December 2010 to November 2013. This item has been removed due to third party copyright restrictions.

A copy of the graph is available at www.investopedia.com

For other examples of this type of question please see our past papers, available through our website and Interchange. Alternatively, see our ExamBuilder platform for the full list of relevant mock questions.

Extract D Expansion into Bangalore, India

Extract D is an extract taken from a Starbucks press release about expanding the business into Bangalore, India. This item has been removed due to third party copyright restrictions.

A copy of the extract is available at https://stories.starbucks.com/stories/2013/starbucks-continues-expansion-in-india-with-opening-of-new-flagship-store-i/

The extract opens 'We are excited to open our doors to customers' and finishes at 'elevated coffehouse experience to more customers'.

For other examples of this type of question please see our past papers, available through our website and Interchange. Alternatively, see our ExamBuilder platform for the full list of relevant mock questions.

Extract E Expansion into China

According to its latest quarterly report, Starbucks saw a 30% year-on-year jump in revenues from its Asia-Pacific region, lifted by outstanding sales in China. Very strong sales volumes show that the coffee concept can succeed in traditional tea-drinking countries.

Starbucks' solid sales growth in the Asia-Pacific region was driven by the 500 new stores it opened there last year, and its Asian expansion plans are not slowing down.

Starbucks said its marketing strategy in China is similar to that of its Western markets. It continues to focus on its core food and beverage products, while also offering other locally oriented choices. Demographically Starbucks is targeting the younger and more affluent groups.

The coffee shop market, however, is beginning to heat up. Increasing competition is likely to be the most pressing issue as more Western coffee brands enter the Chinese market. In 2012, each Chinese person consumed an average of about two cups of coffee per year. That's a far cry from the global average of 134 cups a year. Coffee has less than 1% of the Chinese hot-drink market share. By contrast, tea makes up 54% of the market.

Extract F Starbucks' supply chain

Extract F is an extract taken from a blog by Olivia Brink about Stabucks' operations management. This item has been removed due to third party copyright restrictions.

A copy of the extract is available at http://boyerprofosu.blogspot.com/2013/02/starbucks-supply-chain.html

The extract opens 'Starbucks Coffee has become a giant global company' and finishes at 'delivery process with over 70 000 deliveries daily'.

For other examples of this type of question please see our past papers, available through our website and Interchange. Alternatively, see our ExamBuilder platform for the full list of relevant mock questions.

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Summary of updates

Date	Version	Change
February 2021	1.1	Updated copyright acknowledgements.

Copyright Information:

SlideShare

InvestIndia: Development of coffee shops in India www.investindia.gov.in

www.money.cnn.com

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A Level in Business
H431/03 The global business environment
Sample Question Paper

Date – Morning/Afternoon
Time allowed: 2 hours

You must have:
- the Resource Booklet

You may use:
- a scientific or graphical calculator

First name										
Last name										
Centre number						**Candidate number**				

SPECIMEN

INSTRUCTIONS
- Use black ink.
- Complete the boxes above with your name, centre number and candidate number.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- If additional space is required, use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the bar codes.

INFORMATION
- The total mark for this paper is **80**.
- The marks for each question are shown in brackets **[ ]**.
- Quality of extended responses will be assessed in questions marked with an asterisk (*).
- This document consists of **8** pages.

Answer **all** the questions.

Please use the information provided in the **Resource Booklet** to answer the following questions.

1 Before Starbucks enters a new market, such as that in China in 2013, it examines the nature of demand.

Explain **two** factors which might affect the demand for Starbucks' products.

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2 Referring to Extract B, showing Porter's Five Forces, analyse how the 'Potential of New Competitors' is likely to influence the decision making of Starbucks.

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SPECIMEN

3 To what extent are global exchange rate fluctuations likely to affect Starbucks' operations? Justify your view.

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SPECIMEN

4 InvestinIndia, a firm of management consultants based in India, has put some data and a decision tree together regarding Starbucks' possible expansion into one of three small cities in the Indian province of Uttar Pradesh (see Table 1 and Fig.2). It is hoping that its information will be of use to Starbucks in deciding whether or not to open a coffee shop in Uttar Pradesh and if so in which city.

Table 1

	Population (2013)	**Hourly wage rate in 2012 (in $US)**	**Hourly wage rate in 2013 (in $US)**	**No. of coffee shops (2013)**	**Annual local economic growth (2013)**	**Local inflation rate (2013 annual %)**	**Characteristics**
City A	161 000	4.50	4.95	4	3.5%	7.6%	Growing city with small, prosperous business district
City B	425 000	3.25	3.30	3	1.5%	0.4%	Old historic city with a high proportion of urban poor
City C	98 000	5.00	6.00	6	6.2%	11.2%	Rapidly growing city benefitting from increasing foreign direct investment

SPECIMEN

(a) InvestinIndia did some research for another international brand of coffee when it was setting up a shop in India's capital city, Delhi. It found that demand changed in response to advertising. The demand went from 23 500 cups to 27 250 cups a month after an increase in advertising spend of 22%.

Calculate the advertising elasticity of demand. Give your answer correct to two decimal places.

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(b) Using Table 1, calculate the **real** wage increase in City A from 2012 to 2013.

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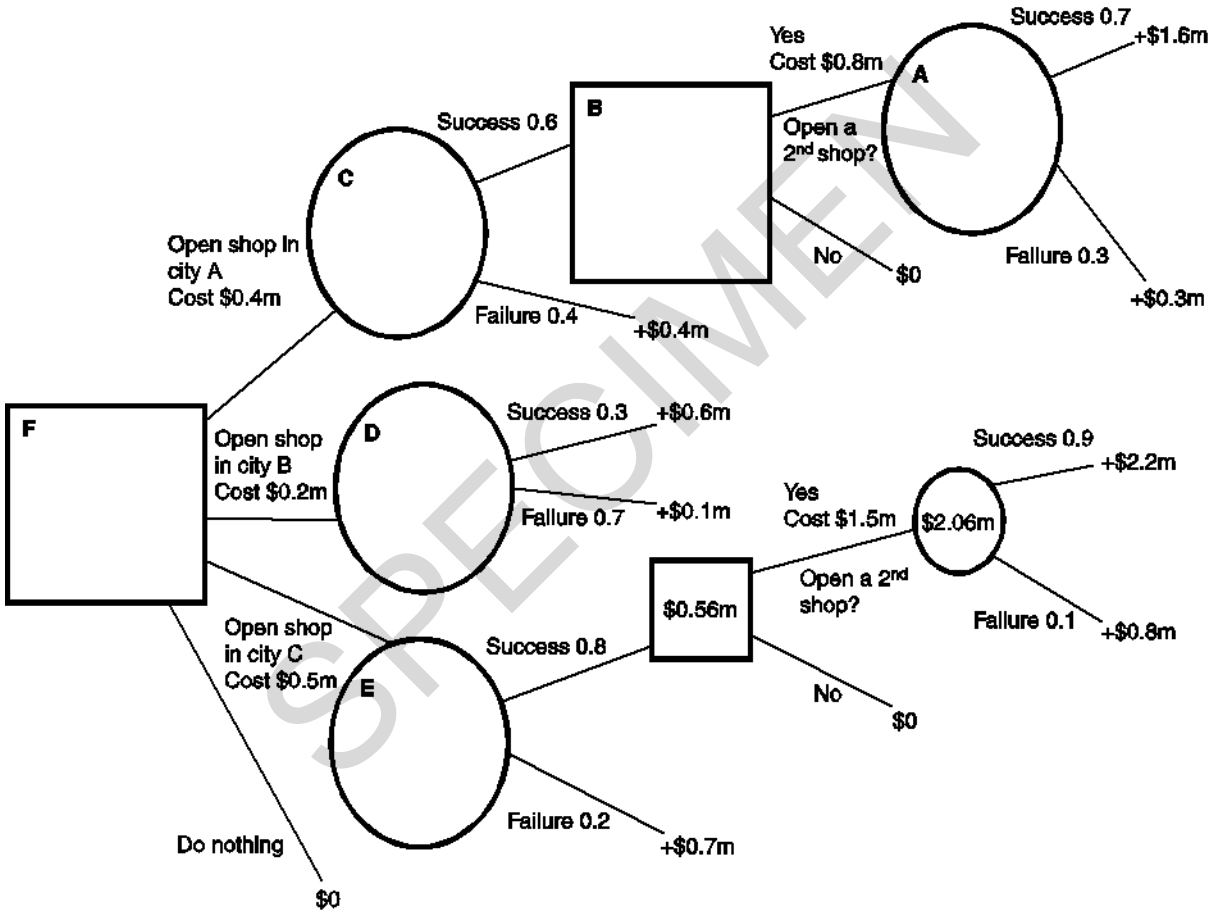
SPECIMEN

(c) Complete the decision tree (Fig.2) by entering the appropriate value into each of the nodes and boxes labelled A – F. A box for your working is provided below.

[6]

Fig.2 Decision tree prepared by InvestinIndia, for opening a coffee shop for the first year of operation



SPECIMEN

Working box

(d)* With reference to the decision tree and any other relevant information, should Starbucks open a coffee shop in Uttar Pradesh and if so in which city? Justify your view.

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5 “Innovation lies at the heart of Starbucks' growth story” (Extract C).

Explain **one** benefit to a business of having innovation at the heart of its organisational culture.

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SPECIMEN

6 Refer to Extract F. Analyse **two** possible problems which could develop with Starbucks' world-wide supply chain.

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SPECIMEN

7* To what extent could Starbucks be viewed as a successful organisation?

Justify your view.

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SPECIMEN

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Specimen Assessment Material

A Level in Business

H431/03 The global business environment

SAMPLE MARK SCHEME

Duration: 2 hours

MAXIMUM MARK 80

This document consists of 20 pages

MARKING INSTRUCTIONS

PREPARATION FOR MARKING
SCORIS

1. Make sure that you have accessed and completed the relevant training packages for on–screen marking: *scoris assessor Online Training*; *OCR Essential Guide to Marking*.

2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal http://www.rm.com/support/ca

3. Log–in to scoris and mark the **required number** of practice responses ("scripts") and the **required number** of standardisation responses.

   YOU MUST MARK 10 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

TRADITIONAL

Before the Standardisation meeting you must mark at least 10 scripts from several centres. For this preliminary marking you should use **pencil** and follow the **mark scheme**. Bring these **marked scripts** to the meeting.

MARKING

1. Mark strictly to the mark scheme.

2. Marks awarded must relate directly to the marking criteria.

3. The schedule of dates is very important. It is essential that you meet the scoris 50% and 100% (traditional 50% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.

4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone, email or via the scoris messaging system.

5. Work crossed out:

   a. where a candidate crosses out an answer and provides an alternative response, the crossed out response is not marked and gains no marks
   b. if a candidate crosses out an answer to a whole question and makes no second attempt, and if the inclusion of the answer does not cause a rubric infringement, the assessor should attempt to mark the crossed out answer and award marks appropriately.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there then add a tick to confirm that the work has been seen.

7. There is a NR (No Response) option. Award NR (No Response)

   - if there is nothing written at all in the answer space
   - OR if there is a comment which does not in any way relate to the question (e.g. ‘can’t do’, ‘don’t know’)
   - OR if there is a mark (e.g. a dash, a question mark) which isn’t an attempt at the question.

   Note: Award 0 marks – for an attempt that earns no credit (including copying out the question).

8. The scoris **comments box** is used by your Team Leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**

   If you have any questions or comments for your Team Leader, use the phone, the scoris messaging system, or e–mail.

9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

10. For answers marked by levels of response:

    a. **To determine the level** – start at the highest level and work down until you reach the level that matches the answer

    b. **To determine the mark within the level**, consider the following:

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

11. **Annotations**

Annotation	Meaning

12. **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 – detailed explanation of each descriptor

	Knowledge and understanding	Analysis	Evaluation
Strong		A fully developed argument which demonstrates the sequential links in relation to the causes, consequences and/or possible solutions.	A conclusion is drawn weighing up both sides, and reaches a fully supported judgement.
Good	Accurate use of the terms and concepts in the question and applied in a focused way to the context of the question.	A developed argument which demonstrates the sequential links in relation to the causes, consequences and/or possible solutions.	A conclusion is drawn weighing up both sides, and reaches a judgement which is not fully supported.
Reasonable	Awareness of the meaning of the terms and concepts in the question and applied to the context of the question.	An argument which demonstrates some of the links in relation to the causes, consequences and/or possible solutions.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
Limited	Awareness of the meaning of the terms and concepts in the question.	Simple statement(s) of cause and consequence and/or possible solutions.	An unsupported assertion.

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.

Before the Standardisation Meeting, you should read and mark in pencil a number of scripts, in order to gain an impression of the range of responses and achievement that may be expected.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited. You will encounter answers which fall outside the ‘target range’ of Bands for the paper which you are marking. Please mark these answers according to the marking criteria.

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 Using 'best–fit', decide first which set of BAND DESCRIPTORS best describes the overall quality of the answer. Once the band is located, adjust the mark concentrating on features of the answer which make it stronger or weaker following the guidelines for refinement.

- **Highest mark**: If clear evidence of all the qualities in the band descriptors is shown, the HIGHEST Mark should be awarded.

- **Lowest mark**: If the answer shows the candidate to be borderline (i.e. they have achieved all the qualities of the bands below and show limited evidence of meeting the criteria of the band in question) the LOWEST mark should be awarded.

- **Middle mark**: This mark should be used for candidates who are secure in the band. They are not 'borderline' but they have only achieved some of the qualities in the band descriptors.

3 Be prepared to use the full range of marks. Do not reserve (e.g.) high Band 6 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 Transfer the mark awarded to the front of the script.

2 The maximum mark for the paper is **80**.

3 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	Marks	Guidance
1			1 mark each correct identification of a factor of demand and 1 further mark for each explanation. The explanation **must** be in the context of Starbucks' products.	**4** **(2 AO1)** **(2 AO2)**	Indicative content: Many demand related factors, including; • Income • price of substitute goods (e.g. tea) • advertising • price of complementary products • fashion and social trends. Exemplar response: *Social trends impact on the demand for coffee **(1)**. In recent years, helped by TV series such as Friends, coffee has become 'fashionable' – particularly the frequenting of a Starbucks style of coffee house that makes customers feel they are getting more than just coffee **(1)**.*
2			**Level 2 (4-6 marks)** Candidate shows reasonable knowledge and understanding and shows good analysis of how the potential of new competitors is likely to influence the decision making of Starbucks. **Level 1 (1–3 marks)** Candidate shows limited knowledge and understanding of this aspect of Porter's Five Forces and little or no analysis of how the potential of new competitors is likely to influence the decision making of Starbucks. (NB – award 1 mark for a non–contextualised response). **0 marks** no response or no response worthy of credit.	**6** **(1 AO1)** **(1 AO2)** **(4 AO3)**	Indicative content: • **must** relate to the **decision making** of Starbucks and how it might unfold • Starbucks can respond in a number of ways – all essentially related to someone else doing what they do – a quality 'coffee house experience' – and forcing them to react. These could include: - conducting new/further market research - altering their product (both coffee and coffee house) - changing the pricing strategy - change to promotional activities - something more strategic, such as moving into a new market and relinquishing market share in coffee - ARA. Exemplar response: *If a firm such as McDonald's entered the coffee market in the way that Starbucks operates, then it (Starbucks) would have*

Question			Answer	Marks	Guidance
					to react. The form and magnitude of this reaction would depend on how much of a threat the new competitor was perceived to be and exactly what its incursion into the coffee market was. For example, if McDonald's were to copy the coffee house style of Starbucks (something they could do at relatively little cost they already have premises and so forth) then Starbucks would have to factor this into how it will now compete on coffee house presentation. This would necessitate a re–think in terms of standard of furniture, colour schemes, ambience, coffee itself and so on. In short, Starbucks would be forced to 'up its game'.
3			**Level 3 (7–10 marks)** Candidate shows strong knowledge and understanding, analysis and evaluation of the extent to which global exchange rate fluctuations are likely to affect Starbucks' operations. *There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.* **Level 2 (4–6 marks)** Candidate shows reasonable knowledge and understanding, analysis and evaluation of the extent to which global exchange rate fluctuations are likely to affect Starbucks' operations. *There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.* **Level 1 (1–3 marks)** Candidate shows limited knowledge and understanding of global exchange rate fluctuations with limited or no analysis and evaluation of the extent to which global exchange rate fluctuations are likely to affect Starbucks'	**10** **(2 AO1)** **(2 AO2)** **(3 AO3)** **(3 AO4)**	Indicative content: Starbucks is impacted on in a number of ways, including: • importing coffee beans from a number of growers around the world (although importing to where?) • exporting coffee–related products to markets where it does not have an established base • exchange rates affect competitors and therefore impact on price competitiveness of Starbucks. Exemplar response: *Starbucks is involved in importing huge quantities of coffee beans from those countries that grow them. If the currency, probably US$, that Starbucks is operating in rises relative to the coffee producer's currency then the imported coffee will be cheaper. The volume of trade that Starbucks is undertaking in terms of imported coffee is likely to make a relatively minor currency fluctuation into a huge cost saving. Of course, this is equally true should the US$ fall in value relative to the other currency. However, the impact will also be subject to how long the currency rise in value lasts and to what extent Starbucks has negotiated a long–term price agreement (very likely given its buying power) with favourable terms. To say a change in the exchange rate will*

Question			Answer	Marks	Guidance
			operations. (NB – award a maximum of two marks for a non–contextualised response). *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.* **0 marks** no response or no response worthy of credit.		*definitely have a predictable impact on Starbucks is too simplistic given the sophisticated nature in which it buys coffee in the world markets, but there will certainly be pressure in a particular direction.*
4	**(a)**		Up to 3 marks: 3 marks for a correct answer (given to two decimal places) – whether or not working is shown.	**3** **(1 AO1)** **(2 AO2)**	Change/original number 3750/23500 x 100 = 16% **(1)** 16%/22% **(1)** = 0.73 **(1)**
4	**(b)**		Up to 3 marks: 3 marks for a correct answer – whether or not working is shown. 1 mark for calculating the change in hourly wage rate only.	**3** **(1 AO1)** **(2 AO2)**	0.45/4.5 x 100 = 10% **(1)** 10% – local inflation (7.6%) **(1)** = 2.4% **(1)**
4	**(c)**		1 mark for each correct calculation up to a maximum of six identifications: 1 mark for A: $1.21m 1 mark for B: $0.41m 1 mark for C: $0.406m 1 mark for D: $0.25m	**6** **(2 AO1)** **(2 AO2)** **(2 AO3)**	See completed decision tree. OFR applies to nodes C, D, E and F based on errors in calculation of A and B.

Question			Answer	Marks	Guidance
			1 mark for E: $0.588 1 mark for F: $0.088		
4	(d)	*	**Level 4 (16–20 marks)** Candidate shows strong knowledge and understanding, analysis and evaluation of whether or not Starbucks should open a coffee shop in Uttar Pradesh. *There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.* **Level 3 (11–15 marks)** Candidate shows good knowledge and understanding, analysis and evaluation of whether or not Starbucks should open a coffee shop in Uttar Pradesh. *There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.* **Level 2 (6–10 marks)** Candidate shows reasonable knowledge and understanding, analysis and evaluation of whether or not Starbucks should open a coffee shop in Uttar Pradesh. *The information has some relevance and is presented with limited structure. The information is supported by limited evidence.* **Level 1 (1–5 marks)** Candidate shows limited knowledge and understanding of decision trees and the factors which influence such a decision with limited or no analysis and evaluation of whether or not Starbucks should open a coffee shop in Uttar Pradesh. (NB – award a maximum of 2 marks for a non–	**20** **(2 AO1)** **(4 AO2)** **(6 AO3)** **(8 AO4)**	Indicative content: There is no correct answer in terms of which city or indeed whether they should open one at all. Key is that the decision is justified, by initially using the decision tree (or indeed dismissing its findings) and other information – largely related to table 1. Key points are: • the decision tree shows that there is very little to be gained in the first year from any of the three cities. Doing nothing seems just as good. However, it is only the first year – there are big gains, presumably, in the future. • How reliable is the decision tree? In these three cities does InvestInIndia really know? How exactly are the probabilities and final outcomes actually calculated? Given the small differences in answer, the margin of error seems huge. • Table 1 suggests many different points: City C has high economic growth and wages and is therefore probably a place to set up a Starbucks. However, it has the smallest population and most competition. • City A is growing with a prosperous business (coffee drinking?) district. • City B is huge, but poor. • India likes tea, not coffee! Use other information in the case study. • Other factors include: financing, demand trends, social trends (e.g. tea drinking), how does this fit with Starbucks' strategy? Are the relative profits/losses immaterial to Starbucks given its plan to dominate the Indian market? Exemplar response:

Question			Answer	Marks	Guidance
			contextualised response.) *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.* **0 marks** no response or no response worthy of credit.		*The decision tree produced by InvestInIndia is, frankly, of little use to an international giant such as Starbucks. It is simply showing possible outcomes of setting up one coffee house in each of three cities. The outcomes are so similar (and small) that a firm like Starbucks would simply open them (probably all three!) anyway with an eye to the much longer term and bigger picture. The probabilities and outcomes may or may not be true and it is very unlikely that this one decision tree would have a huge influence on Starbucks' decision. More important is the data (if true) in Table 1. Rather than dealing in probabilities it deals in facts and does provide an indication – albeit on a very basic level – of which city might yield success. From the information we have here City C looks the most likely as Starbucks is out of the reach of most of India's population at present, so a large city population, if too poor to buy Starbucks' coffee, is irrelevant. Starbucks will want to be where there are wealthy customers and thriving businesses. City A is also viable for the above reasons, so I would suggest it invests in both.*
5			1 mark for a correct identification, plus a further 1 mark for an explanation of one benefit to a business of having innovation at the heart of its organisational culture.	**2** **(2 AO1)**	Indicative content: • Innovation means that a firm is always seeking to better what it does, invent new products and systems and stay ahead of competition. It enables firms to have, even for a short time, a USP/competitive edge. If this is a firm's culture then it is likely to yield continuous change and re–invention, rather than simply 'one–offs'. Exemplar response: *Starbucks promotes a culture of innovation so that, in such a competitive market, it stays ahead of other coffee houses **(1)**. One benefit of this culture to Starbucks is that customers look to it for and expect new products, giving a constantly 'refreshed' image and product range – both inherently attractive to the, increasingly young, coffee–drinking market*

Question			Answer	Marks	Guidance
					(1).
6			**Level 2 (4–6 marks)** Candidate shows reasonable knowledge and understanding and shows good analysis of two possible problems which could develop within Starbucks world–wide supply chain. **Level 1 (1–3 marks)** Candidate shows limited knowledge and understanding of supply–chain problems with limited or no analysis of possible problems which could develop within Starbucks world–wide supply chain OR good analysis of one possible problem which could develop within Starbucks world–wide supply chain. (NB – award a maximum of 2 marks for a non–contextualised response.) **0 marks** no response or no response worthy of credit.	**6** **(2 AO1)** **(2 AO2)** **(2 AO3)**	Indicative content: Problems could include: • sheer distances could mean delays in shipping etc. • exchange rate fluctuations • transport methods may be inappropriate • over–reliance on one supplier if hit by bad harvest • political change/disruption may affect supply • any technological/logistical breakdown • impact of purchasing of coffee by competitors • ARA that is supply related. Exemplar response: *Starbucks could experience considerable disruption to its supply chain if there was a particularly poor summer in one of its principal coffee–growing countries. Put simply, there would be fewer coffee beans to import from that country putting the price up of what there was and forcing Starbucks to go elsewhere. Starbucks' supply chain will be set up for the mass transportation of coffee from a number of countries with shipping contracts, purchase guarantees and so forth. While this will be a serious issue, a major supplying country not actually supplying for one year, it should not be catastrophic as Starbucks will have spread its risk and have a diverse range of coffee producers from which to buy from around the world.*
7*			**Level 4 (16–20 marks)** Candidate shows strong knowledge and understanding, analysis and evaluation of the extent to which Starbucks can be viewed as a successful organisation/perception of stakeholders as to the extent to which Starbucks is a successful organisation. *There is a well-developed line of reasoning which is clear*	**20** **(2 AO1)** **(4 AO2)** **(6 AO3)** **(8 AO4)**	Indicative content: • successful according to whom? Which stakeholders? Directors, customers, shareholders, suppliers etc. All will want different things (e.g. shareholders want either share price rises or large dividends). • evidence of the stock market rise suggests Starbucks is fantastically successful for anyone buying shares.

Question			Answer	Marks	Guidance
			and logically structured. The information presented is relevant and substantiated. **Level 3 (11–15 marks)** Candidate shows good knowledge and understanding, analysis and evaluation of whether Starbucks can be viewed as a successful organisation/perception of stakeholders as to the extent to which Starbucks is a successful organisation. *There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.* **Level 2 (6–10 marks)** Candidate shows reasonable knowledge and understanding, analysis and evaluation of whether Starbucks can be viewed as a successful organisation/perception of stakeholders as to the extent to which Starbucks is a successful organisation. *The information has some relevance and is presented with limited structure. The information is supported by limited evidence.* **Level 1 (1–5 marks)** Candidate shows limited knowledge and understanding of success factors with limited or no analysis and evaluation of whether Starbucks can be viewed as a successful organisation/perception of stakeholders as to the extent to which Starbucks is a successful organisation. (NB – award a maximum of 2 marks for a non–contextualised response.) *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*		• customers clearly like Starbucks and demand its products on a worldwide scale. Its products are innovative and high in quality. • Starbucks is a global brand and can be found in most developed and (increasingly in) most developing countries in the world. • employees of Starbucks work in an innovative environment and, presumably, have career opportunities and are (reasonably) well rewarded with pay and (given the growth of Starbucks) a degree of job security that others would not have. • it is a customer itself for a vast number of suppliers who all benefit by its existence. To what extent they are exploited by Starbucks is a moot point. • the existence of independent retailers suggests that not everyone likes Starbucks and its corporate culture. Global brands are not to everyone's taste. • ARA • key is to evaluate between stakeholders and look at which is the most important to satisfy. Exemplar response: *'Successful' really depends on who is asking. By most standard business yardsticks, Starbucks is a highly successful firm given its global brand image, number of outlets, profit margins, performance on the stock market and employment creation both within its firm and through its vast supply chain. Taking any one of its principal stakeholders, such as its customers, one can argue that it is hugely successful. Customers get a contemporary coffee house 'experience' that fulfils a part of people's social lives, a range of innovative products and the certainty of a standardised quality wherever they happen to be in the world. However, it is precisely that standardised approach that is often put forward as one of the downsides of globalisation. Bland,*

Question			Answer	Marks	Guidance
			clear. **0 marks** no response or no response worthy of credit.		*corporate ubiquity without any regional difference or variation – often at the expense of more 'interesting' independent chains which are unable to compete with Starbucks' brand reach and economies of scale. That said, part of Starbucks' success (on the McDonald's model) is that it DOES differentiate and innovate its products for different countries – Extract E talks of 'locally oriented choices'. Hence Starbucks, from the point of view of the paying public, really cannot be described as anything less than 'successful' given its operations around the world.*

Appendix 1 – Grid for Specimen Assessment Material Component 3

Question	AO1	AO2	AO3	AO4	TOTAL	Quantitative Skills
1	2	2	-	-	**4**	
2	1	1	4	-	**6**	
3	2	2	3	3	**10**	
4(a)	1 (1)	2(2)	-	-	**3**	**(3)**
4(b)	1 (1)	2(2)	-	-	**3**	**(3)**
4(c)	2 (2)	2 (2)	2 (2)	-	**6**	**(6)**
4(d)	2	4	6 (3)	8 (4)	**20**	**(7)**
5	2	-	-	-	**2**	
6	2	2	2	-	**6**	
7	2	4	6	8	**20**	
TOTAL	**17**	**21**	**23**	**19**	**80**	**(19)**

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