



# Cambridge Pre-U

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**BUSINESS AND MANAGEMENT**

**9771/02**

Paper 2 Strategic Decisions

**May/June 2022**

MARK SCHEME

Maximum Mark: 100

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**Published**

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2022 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

**PUBLISHED****Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

**GENERIC MARKING PRINCIPLE 5:**

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

**GENERIC MARKING PRINCIPLE 6:**

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

**Social Science-Specific Marking Principles  
(for point-based marking)****1 Components using point-based marking:**

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require  $n$  reasons (e.g. State two reasons ...).
- d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

**2 Presentation of mark scheme:**

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

**3 Calculation questions:**

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

**4 Annotation:**

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

Question	Answer	Marks	Guidance
1(a)(i)	<p><b>Refer to the data on lines 20-24. Calculate the:</b></p> <p><b>break-even annual number of customers of a typical Greggs shop in central London.</b></p> <p>BE point = Fixed costs/contribution per unit (1)</p> <p>£350 000/£1.40 (2)</p> <p>= 250 000 (3)</p>	<b>3</b>	
1(a)(ii)	<p><b>Refer to the data on lines 20-24. Calculate the:</b></p> <p><b>annual profit made by this shop if annual customers reached 300 000.</b></p> <p>Profit = TR-TC OR [(Unit contribution × output) – fixed costs] (1)</p> <p>(300 000 × £1.40) = £420 000 (2)</p> <p>£420 000 – £350 000 = £70 000 (3)</p> <p><b>OR</b></p> <p>(300 000 × £3.2) – (300 000 × £1.8) = £420 000 (2)</p> <p>£420 000 – £350 000 = £70 000 (3)</p>	<b>3</b>	

Question	Answer	Marks	Guidance		
1(b)	<p><b>Comment on the usefulness of break-even analysis to Greggs</b></p> <p>Knowledge:</p> <ul style="list-style-type: none"> <li>• BE point definition/understanding</li> <li>• Safety margin definition/understanding</li> <li>• Range of profitable output understanding</li> <li>• Establish likelihood of profit being made</li> <li>• Impact on profit of changes in price of unit costs</li> <li>• Comparison of BE different locations or of new product developments</li> </ul> <p>Application:</p> <ul style="list-style-type: none"> <li>• Impact on revenue/profit of price changes for Gregg's products e.g. sausage rolls</li> <li>• BE point of existing shops compared to proposed new shops, aiding future decisions making</li> <li>• Safety margin changes if, e.g., there is an increase in rental costs</li> <li>• For proposed new shops, data will be estimated</li> </ul>	6	Level	AO1 2 marks	AO2 4 marks
			2	2 Candidate shows clear knowledge of BE and/or uses	3–4 Candidate clearly explains BE analysis usefulness in context
			1	1 Shows knowledge of BE and/or uses	1–2 Candidate uses 1 example
			0	0 marks No creditable response	

Question	Answer	Marks	Guidance			
1(c)	<p><b>Analyse the factors, other than rental costs, that Greggs is likely to consider when deciding on the location of a new shop.</b></p> <p>Knowledge:</p> <ul style="list-style-type: none"> <li>Likely footfall; wage rates; rate of unemployment; average income levels; demographic characteristics of local population; number and closeness of local competitor; cultural/food tastes if multi-racial area</li> </ul> <p>Application:</p> <ul style="list-style-type: none"> <li>Competitors such as Leon and Pret a Manger might be well established</li> <li>High income area might increase average spend on bakery type products</li> <li>High footfall might result in more impulse purchases of food-to-go</li> </ul> <p>Analysis:</p> <ul style="list-style-type: none"> <li>High area of unemployment might mean that Gregg's will not have to offer such high wages as, e.g. in central London</li> <li>High unemployment might suggest that average incomes are low which will depress the average spend so more customers will be needed to break-even</li> <li>Many local competitors might suggest that there are many potential customers drawn to this area which gives opportunity for high sales.</li> <li>Many competitors in the area might result in Greggs having to use many promotions to attract and retain customers</li> </ul>	13	Level	AO1 2 marks	AO2 5 marks	AO3 6 marks
3		5 Candidate fully engages with the case	5–6 Candidate fully develops analytical points			
2	2 Candidate shows clear and precise knowledge of location factors	3–4 Candidate links case material to answer	3–4 Developed analysis of arguments			
1	1 Some understanding of location factors	1–2 Limited attempt to apply knowledge to case	1–2 Limited analysis of points made			
0	0 marks No creditable response					

Question	Answer	Marks	Guidance																													
2	<p><b>Recommend a marketing strategy for Greggs at a time when the UK economy is in recession. Justify your recommendation.</b></p> <p>Knowledge:</p> <ul style="list-style-type: none"> <li>Marketing strategy definition</li> <li>Ansoff's matrix – risk element of new strategy</li> <li>Relevant factors raised about different marketing strategies</li> <li>Understanding of economic recession/declining real incomes</li> </ul> <p>Application:</p> <ul style="list-style-type: none"> <li>Gregg's existing model of competitively price food-to-go might still be best but it was successful when the economy was growing – does it need to change now</li> <li>Greggs could easily supply its own cafes, if a decision was made to open these</li> <li>Food preferences vary between countries</li> <li>Selling in a shop not the same as waiting at tables</li> <li>Lower prices might require lower cost supplies might mean ending Fairtrade links or reducing meat content in sausage rolls</li> </ul> <p>Analysis:</p> <ul style="list-style-type: none"> <li>Explanation of how lower incomes might impact on demand e.g. through analysis of income elasticity</li> <li>Explanation of why risk varies between the different strategies</li> </ul>	25	<table border="1"> <thead> <tr> <th data-bbox="1133 213 1240 316">Level</th> <th data-bbox="1240 213 1429 316">AO1 4 marks</th> <th data-bbox="1429 213 1621 316">AO2 5 marks</th> <th data-bbox="1621 213 1845 316">AO3 8 marks</th> <th data-bbox="1845 213 2038 316">AO4 8 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="1133 316 1240 549">3</td> <td data-bbox="1240 316 1429 549"></td> <td data-bbox="1429 316 1621 549">5 Answer fully rooted in case</td> <td data-bbox="1621 316 1845 549">6–8 Full development of analytical points</td> <td data-bbox="1845 316 2038 549">6–8 High quality judgement shown in answer and conclusion</td> </tr> <tr> <td data-bbox="1133 549 1240 750">2</td> <td data-bbox="1240 549 1429 750">3–4 Good knowledge shown</td> <td data-bbox="1429 549 1621 750">3–4 Good application of points to case</td> <td data-bbox="1621 549 1845 750">3–5 Developed analysis of at least one point</td> <td data-bbox="1845 549 2038 750">3–5 Good judgement shown</td> </tr> <tr> <td data-bbox="1133 750 1240 951">1</td> <td data-bbox="1240 750 1429 951">1–2 Limited knowledge shown</td> <td data-bbox="1429 750 1621 951">1–2 Limited application of points to case</td> <td data-bbox="1621 750 1845 951">1–2 Limited analysis of points</td> <td data-bbox="1845 750 2038 951">1–2 Limited judgement shown</td> </tr> <tr> <td data-bbox="1133 951 1240 1018">0</td> <td colspan="4" data-bbox="1240 951 2038 1018">0 marks No creditable response</td> </tr> </tbody> </table>					Level	AO1 4 marks	AO2 5 marks	AO3 8 marks	AO4 8 marks	3		5 Answer fully rooted in case	6–8 Full development of analytical points	6–8 High quality judgement shown in answer and conclusion	2	3–4 Good knowledge shown	3–4 Good application of points to case	3–5 Developed analysis of at least one point	3–5 Good judgement shown	1	1–2 Limited knowledge shown	1–2 Limited application of points to case	1–2 Limited analysis of points	1–2 Limited judgement shown	0	0 marks No creditable response			
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2	<ul style="list-style-type: none"> <li>• Use of other strategic models e.g. SWOT/PEST/Porter</li> <li>• Explanation in detail of the likely effects/consequences of different marketing strategies on Gregg's revenue and profitability during a time of economic recession</li> </ul> <p>Evaluation:</p> <ul style="list-style-type: none"> <li>• Weigh up risk of proposed strategy against potential profit</li> <li>• Is it worth adopting a completely different strategy if the economic environment improves quickly?</li> <li>• Would the low-cost option damage Gregg's reputation when economic growth and income growth are restored?</li> <li>• Is overseas expansion a good idea for an entirely UK based business?</li> <li>• Overall supported judgement required</li> </ul>		

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3	<p><b>Evaluate, using profitability and liquidity ratios, the success of Greggs' growth strategy in 2018 and 2019.</b></p> <p>Knowledge:</p> <ul style="list-style-type: none"> <li>• Appropriate ratios identified/defined or understanding shown of results</li> </ul> <p>Application:</p> <table border="1" data-bbox="338 523 943 916"> <thead> <tr> <th></th> <th>2019</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>RoCE</td> <td>20.8%</td> <td>26.1%</td> </tr> <tr> <td>GPM</td> <td>64.7%</td> <td>63.7%</td> </tr> <tr> <td>OPM</td> <td>10.3%</td> <td>8.7%</td> </tr> <tr> <td>CR</td> <td>0.68</td> <td>0.97</td> </tr> <tr> <td>ATR</td> <td>0.57</td> <td>0.83</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• Investment in redesigning shops – might explain lower RoCE in short term</li> <li>• Investment in new products</li> <li>• Increasing demand for food-on-the-go so prices might be raised and this could impact on margins</li> </ul> <p>Analysis:</p> <ul style="list-style-type: none"> <li>• GPM up slightly but OPM up significantly – better control over operating expenses</li> </ul>		2019	2018	RoCE	20.8%	26.1%	GPM	64.7%	63.7%	OPM	10.3%	8.7%	CR	0.68	0.97	ATR	0.57	0.83	25	Mark grid as above
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3	<ul style="list-style-type: none"> <li>• RoCE down – perhaps investment in redesigning shops has not yet paid off and in the longer term RoCE could increase as a result of this investment.</li> <li>• Liquidity down substantially – part of a longer-term trend? More data needed.</li> <li>• What has led to the increase in current liabilities?</li> <li>• Is Greggs buying more supplies on credit? Requires further investigations but might be a consequence of rapid growth or ‘overtrading’</li> </ul> <p>Evaluation:</p> <ul style="list-style-type: none"> <li>• Judgement can be made about improving profitability (but not RoCE yet) and declining liquidity.</li> <li>• How useful are the comparisons with the other two businesses? Are they similar enough?</li> <li>• More years needed to establish trends to assess whether the growth strategy will survive the recession.</li> <li>• 2020/2021 financial results and ratios may be very different so misleading to base judgements on just two years.</li> </ul>		

Question	Answer	Marks	Guidance
4	<p><b>‘Greggs’ competitiveness would improve if it reduced its focus on corporate social responsibility (CSR).’</b></p> <p><b>Evaluate this view.</b></p> <p>Knowledge:</p> <ul style="list-style-type: none"> <li>• Definition of CSR</li> <li>• Statement of benefits/potential costs of CSR</li> </ul> <p>Application:</p> <p>References to case including:</p> <ul style="list-style-type: none"> <li>• Customers health</li> <li>• Environment</li> <li>• Responsible sourcing</li> <li>• People</li> <li>• Community</li> </ul> <p>Any appropriate reference to these issues</p> <p>Analysis:</p> <ul style="list-style-type: none"> <li>• Benefits of CSR might include:</li> <li>• Better motivated employees as a result of their pay levels/profit sharing etc – this can benefit Gregg’s with low labour turnover, motivated employees, better customer service</li> <li>• High customer loyalty as a consequence of its policies on customers’ health and some customers will approve of policies towards environment, animal welfare etc. Higher sales as a consequence can increase Gregg’s profitability</li> </ul>	25	Mark grid as above

Question	Answer	Marks	Guidance
4	<ul style="list-style-type: none"> <li>• Stronger relations with suppliers – will help to improve quality of supplies/delivery reliability etc. Lower risks of bad image created by unethical practices used by suppliers which would impact negatively on revenue.</li> <li>• Costs of CSR e.g. profit sharing means less retained profit for redesigning more shops</li> <li>• Fairtrade products are bought at a premium over cost of alternatives.</li> </ul> <p>Evaluation:</p> <ul style="list-style-type: none"> <li>• Economic recession puts emphasis on the need for low costs and competitiveness so that low prices can be offered to consumers with reduced incomes.</li> <li>• However, any damage to Gregg’s brand image from dropping or reducing CSR policies is likely to be permanent and this could have very negative long-term impacts on revenue and profits.</li> <li>• Overall judgement required – which could try to balance and assess short-term and long-term effects of reducing focus on CSR policies.</li> </ul>		