

P3 June 2017: Marking of representative answer

Mutual Farm Products (MFP): Worth 50 marks in total

General feedback:

As often quoted in feedback to students, the three essential elements of achieving a pass in P3 are to firstly answer all parts of a question, secondly to answer the question set, taking particular note of the verbs used, and thirdly to apply the answer to the case, using examples where possible to demonstrate understanding. This candidate made a fair attempt at all parts of the question but missed some actions within the requirements. For example not discussing the purpose of the models yet this was clearly stated both in the scenario and in the requirements. Overall the answer was a marginal pass. The candidate had demonstrated fair understanding of the models in the requirements and made attempts to give some examples from the case hence marginally passed. However the pass mark could have been improved with more application and taking note of all that were asked to do in each requirement. They also could have presented their answer professionally in a report format.

Overall the candidate scored 28/50

Question 1a

Analyses external factors from the perspective of FOUR elements of the PESTEL analysis: political, sociocultural, environmental and legal. The analysis should include an assessment of the likely effect of such factors in the context of the strengths and weaknesses of MFP. It should also include an explanation of the purpose and value of a PESTEL analysis.

Up to 18 marks were available for this analysis.

1 Introduction: This is very poor introduction. Marks are rarely given for definitions of acronyms. Marks were available for the explanation of the purpose and value of a PESTEL analysis. The following points could have been made.

- A PESTEL analysis is designed to *identify external factors* that are currently, or can potentially, affect an organisation.
- These factors are largely *outside the control of the organisation*, although it might be able to successfully petition agencies, such as the government, that influence these external factors.
- In general, companies undertake a PESTEL analysis to understand the drivers in the external environment and to help them *prepare an appropriate organisational response* to such drivers.
- The PESTEL analysis contributes towards the *threats and opportunities of the SWOT analysis*.

2. Political: 1 mark for identifying the issue and 1 mark for its implications to MFP.

3 Social cultural: Two issues are identified but are tersely expressed so worth half mark each. The implications for MFP are both worth 1 mark.

4. Legal: 1 mark for identifying the issue. The implication is weak. Much more could have been written about implications. For example:

- Re-arrangement of products within the store to allow compliance with this legislation. Failure to comply will lead to \$1000 fines per incident.
- Possible reduction in stock displayed in the store because of reduction in high level storage.
- This may be a problem in the smaller stores, where storage space might be at a premium, so again the small size of these stores is a weakness.
- However, the requirements of this legislation might be the stimulus MFP requires to streamline its supply chain and achieve economies. This threat from legislation provides an opportunity for addressing its weaknesses in the supply chain.
- This may also be an area where competitors are at a disadvantage. The 'pile it high' approach associated with no-frills retailing may be incompatible with the legislation. No reference is made to a Data Protection Act in the scenario.

5. Environmental: Two reasonable points worth 1 mark each

Candidate scored 8 marks.

Overall: The candidate did not clearly include an assessment of the 'likely effect of such factors in the context of the strengths and weaknesses of MFP'. They also did not state the purpose of Pastel model

Question 1b

Analyses the market place (industry) using Porter's five forces framework, assessing its implications for MFP. This analysis should also include an explanation of the purpose and value of the five forces framework.

Up to 18 marks were available for this analysis.

- 1. Introduction:** Again a poor introduction. The following points could have been made.
 - A Five Forces is designed to *identify factors* in the firm's industry or market place that are key to the way that it competes in its environment.
 - The collective strength of the five basic competitive forces determines the ultimate profit potential in the industry.
 - Such long-term profit potential is a factor in determining whether a firm should enter or remain in a particular industry.
 - Five forces inform the competitive strategy of the organisation, how it can best position itself in the industry.
- 2. Customers:** Good analysis; realising that customers could be viewed individually or as a group. Bargaining power correctly classified and identification of low switching costs.
- 3. Suppliers:** Correctly identifying that bargaining power of suppliers is low and a reasonable explanation of why it is low (relative size of suppliers and low switching costs).
- 4. New entrants:** Recognition that the threat of new entrants should be low, but also recognition that recent entrants suggest that it may not be as low as analysis might initially suggest.
- 5. Substitutes:** Some point could have been made. For example:
 - Smaller shops remain a potential substitute for the supermarkets, particularly now that sociocultural trends suggest that these should be valued, rather than avoided as uneconomic and inconvenient.
 - Again, MFP is in a good place, as it can position itself as both an organisation that recognises the relative values of both supermarkets and shops.
 - A more significant substitute would be the direct supply of goods from suppliers to end customers. This indeed could be a virtual supermarket with customers picking products on-line and having them delivered directly to their home.
 - This threat of substitution should be acknowledged because many trades and shops traditionally on the high street have disappeared to be replaced by virtual substitutes. Many bookshops and toy shops have closed to be replaced by on-line alternatives.
- 6. Rivalry:** Marks have already been given for low switching costs (PAG). A mark for recognition that the market is still growing and this growth is quantified. Recognition that MFP's revenues are still growing and are almost as high as HyPo's. There is a certain amount of repetition in here. However, some credit has been given for recognising that Arboria is a wealthy country, its economy is strong (booming is a probably an over-statement) and that it remains an attractive place to invest.

Candidate scored: 10.5 marks

Overall: A relatively correct analysis but light on the 'implications for MFP'. Marks were available for the purpose and value of the five forces analysis, but the candidate ignored this.

Question 1c

Evaluates the potential role of CSFs, KPIs and integrated reporting in setting and monitoring strategy within MFP.

Up to 10 marks available for this evaluation.

1. **CSFs:** A reasonable definition of a CSF and an example is given from the context of the case study. Very few candidates gave relevant examples, or linked them to the scenario presented in the paper.
2. **KPIs:** Again, a reasonable definition of a KPI and an example from the context of the case study.
3. **Link to mission:** this is only worth half mark. It could be sharper for example:
 - CSFs and KPIs are an important input into the setting of realistic strategic objectives. These objectives reflect the mission of the organisation.
 - However, mission statements tend to be aspirational and generic. For example, fulfilment of employee aspirations might be an important part of the mission statement. However, what (if any) critical success factor does this relate to, how should we measure it, and what degree of success should we aim to achieve?
4. **IR:** Quite a muddled section, perhaps the candidate is running out of time. However, some good points are made. Marks given here reflect:
 - Greater scope, for example; inclusion of customer service and KPI in the integrated report.
 - Recognition that KPIs need a specific performance objective, with example.
 - Integrated report gives opportunity to report progress to stakeholders and suggest actions.

Candidate scored 7.5 marks

Overall: The candidate has answered the question relatively well. However, more of an obvious focus on how CSFs, KPIs and integrated reporting helped setting and monitoring strategy would have helped.

Professional marks

Professional marks will be awarded in question 1 for the structure, coherence, style and clarity of the report.

Up to 4 marks were available

These are allocated across the whole of question one. They concern

- The structure of the answer: was it well-structured and did it follow the requirements?
- The coherence of the answer: did it provide a logically consistent analysis of the scenario?
- The style of the answer: did it have an appropriate business style?
- The clarity of the answer: was it easy to follow and read?

Marks for the candidate's answer:

1. **Structure:** No marks given for this. Not in the report format as required and very little in the way of introductions and conclusions. The requirements were not particularly well followed and some parts were omitted altogether.

2. **Coherence:** half a mark for this. It was logically consistent, although that consistency was not always obvious. There was little attempt in part b to use insights gained in part a.
3. **Style:** Scored half a mark. The style was acceptable, but marred a little by using a term such as 'fat cats'.
4. **Clarity:** One mark as the answer was generally easy to follow and read.

Candidate scored: 2 marks