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The Question

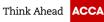
Hybrid exam

Section A

50 marks

Section A - This ONE question is compulsory and MUST be attempted

1 MFP (Mutual Farm Products) was formed in 1910 as a co-operative shop network owned by farmers in the country of Arboria. It progressively opened small shops across the country selling products produced by Arborian farmers. Over time its expanding network of shops began to offer non-farming products from a wide range of suppliers, but it has remained true to its co-operative roots. All employees are shareholders and receive annual dividends. Customers can also become shareholders and are rewarded with dividends which reflect the value of their spending in the shops. An increasing number of customers are becoming shareholders, reflecting a renewed interest in the country in mutual organisations, such as co-operatives. MFP only operates in Arboria and it has no plans to expand overseas. Arboria itself is a wealthy, industrialised country which continues to grow.



Question part a)

8/18 marks scored

Write the report required by MFP management which:

(a) 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.

Part 1

Introduction

0 marks

PESTEL stands for Political, Economic, Sociocultural, Technical, Environmental and Legal.

Part 2

Political

2 marks

Political: The new government wants to make it mandatory for employees to pay 5% of their gross pay into a pension scheme of their choice. This will cause MFP to also pay 5% into the pension scheme. So this will increase labour costs and so profitability will be affected.

Part 3

Sociocultural

3 marks

Sociocultural: There is a trend in society to value customer service. This will be beneficial to MFP at it ranks first arriving at supermarkets for this personal service. It can stress this in its advertising. There is also a trend against 'fat cat' management. MFP is a co-operative where employees are also shareholders. Again this should be stressed in advertising.

Part 4

Legal

2 marks

Legal: The recent extension of disability legislation will have an affect on MFP. It will have to ensure that it complies with this legislation. It will also have to comply with the Data Protection Act, making sure that all data is held securely and is available for scrutiny by the data subject.

Part 5

Environmental

2 marks

Environmental: There are more and more green consumers. These green consumers will shop at MFP because its shops and supermarkets are owned by the people and they are energy efficient.

Also, local shops should mean less food miles, a concept attractive to green consumers. This is a strength of MFP.



Question part b)

10.5/18 marks scored

Write the report required by MFP management which:

(b) 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.

Part 1

Introduction

0 marks

Porter's five forces are: the bargaining power of customers. The bargaining power of suppliers, the threat of substitutes, the threat of new entrants and the competitive rivalry.

Part 2:

Bargaining power-Customer

3 marks

The bargaining power of customers: These are the individuals buying in the supermarket. Bargaining power, individually, is low, but as a group it is quite high because alternatives are easy to find and switching costs (from one supermarket to another) are very low.

Part 3:

Bargaining power-suppliers

3 marks

The bargaining power of suppliers: There are the companies that supply the supermarkets. This is very low, because supermarkets are so big they can dictate terms. When suppliers are smaller and more numerous than their customers, their bargaining power is low. The switching costs from one supplier to another is also very low (for the supermarket), so reinforcing this lack of power.

Part 4:

Threat of new entrants

2 marks

The threat of new entrants should be quite low because so much capital has to be invested in infrastructure, marketing, property etc. to compete with the established supermarkets. However, recent, entries from abroad (Super 24/7 and Letto) seem to suggest that the Arborian market is still attractive to overseas-based supermarkets. So perhaps the threat should be assessed as medium, as these companies have entered the market and done very well.

Part 5

Threat of substitutes

0 marks

Threat of substitute products: There are no substitute products.

Part 6

Competitive rivalry

3 marks

Competitive rivalry: This is very high due to very low switching costs. However, the market is still growing (by 17% in the last five years) and so there is still room for growth – the market is not stagnant.

Overall, the Arborian market remains relatively attractive. MFP's revenues have increased 10% in the last five years which is almost as much as Hypo – the largest supermarket in the country. Arboria is a wealthy country, its economy is booming and the market is growing – making it easier to compete!



Question part c)

7.5/10 marks scored

Write the report required by MFP management which:

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

Part 1

Definition-CSFs

2 marks

CSFs – refer to Critical Success Factors. These are key areas in the business where the business must succeed. In the context of MSF this could be customer service.

Part 2

Definition-KPIs

2 marks

KPIs – refer to Key Performance Indicators. These measure the CSFs. They should be quantifiable. For example, customer service could be measured by how satisfied customers are with the service they have received for example; the percentage of customers rating us (MSF) as excellent in a survey.

Part 3

Link to mission

0.5 marks

CSFs and KPIs tend to reflect the overall mission of the company, but they make that mission more focussed and quantitative.

Part 4

Integrated Reporting

3 marks

Integrated reporting is much greater than just financial reporting, the usual focus of corporate performance. For example, the integrated report could include a section of customer service. It could re-state the KPI and state the performance objective associated with it. For example: To score 90% or more customers rating us as excellent in a customer survey.

The integrated report could report the actual results (say, only 85%) and explain any measures being made to hit the target in the next reporting period. Integrated reporting is an excellent way of communicating with stakeholders on a regular basis.



Professional marks

Structure - 0
Coherence - 0.5
Style - 0.5
Clarity - 1.0

2 marks

- 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?



General marker feedback on the candidate's script

General feedback on the candidate's script

The candidate demonstrated a 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 they were asked to do in each requirement. This candidate missed some actions within the requirements by not discussing the purpose of the models. This is risky as candidates can miss out on easy marks. They also could have presented their answer professionally in a report format and gain easy presentation marks

Additional exam resources

Use this guide to help you make best use of the resources available to support you to success in P3

http://www.accaglobal.com/gb/en/student/changes-to-exams/p1-and-p3.html

