GradeMax

edexcel

Mark Scheme (Results)

January 2015

Pearson Edexcel International Advanced Level in Business Studies (WBS03/01)

Unit 3: Strategic Business Decisions

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January 2015
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General marking guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.

- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.

- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.

- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.

- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.

- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.

- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.

- Crossed-out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A: Data response

Question Number	Question	Marks
1 (a)	What is meant by the term sales revenue? (Evidence A, line 10)	2 marks
	Answer	
	Knowledge – up to 2 marks: • The total value of sales income (1) generated from sale of goods or services. (1) 1 mark for partial or vague definition but a valid example lifts to 2 marks. Any other suitable alternative.	1-2 marks

Question Number	Question	Marks
1 (b)	What is meant by the term positioning? (Evidence C, line 2)	2 marks
	Answer	
	Knowledge – up to 2 marks: • How a business uses its marketing mix to establish its relationship to customers and **(1)** in comparison to competitors **(1)** 1 mark for partial or vague definition but a valid example lifts to 2 marks. Any other suitable alternative.	1-2 marks

Question Number	Question	Marks
2	Explain how *Paul Smith Ltd* could have used Ansoff's Matrix to help the business increase its sales.	6 marks
	Answer	
	(Knowledge 2, Application 2, Analysis 2) **Knowledge / understanding:** up to 2 marks are available for how Ansoff's Matrix is used e.g. Ansoff's matrix is a decision-making model that can be used to help businesses analyse its strategic options/opportunities for growth **(1)** and assess the degree of risk or resource requirements for in each option **(1)** **Application:** up to 2 marks are available for contextualised answers that illustrate how Ansoff's Matrix could have been used by *Paul Smith Ltd* to identify opportunities for growth e.g. Ansoff's Matrix could have been used to help identify whether there is an opportunity for sales growth if the core business of clothing was expanded from Nottingham/the UK into new geographic markets **(1)**; potential products or market entries are plotted on the matrix and the opportunities for growth and associated risks are considered eg fragrances, bicylces, bags **(1)** **Analysis:** up to 2 marks are available for developing its usefulness to *Paul Smith Ltd* e.g. the evidence clearly shows that *Paul Smith Ltd* has expanded the business from its beginnings as a retailer in Nottingham/the UK into a global business across a range of product categories, and as a consequence enjoys a high level of sales revenue **(1)** using Ansoff's Matrix may have helped identify the relative opportunities and risks when considering which new products to introduce to the *Paul Smith Ltd.'s* range now extending beyond the core business **(1)**	1-2 marks 1-2 marks 1-2 marks

Question Number	Question	Marks
3	Analyse the corporate strategy that has led to the success of *Paul Smith Ltd.*	8 marks
	Answer	
	(Knowledge 2, Application 2, Analysis 4) **Knowledge / understanding:** up to 2 marks are available for showing understanding of *Paul Smith Ltd.*'s corporate strategy e.g. entering new markets **(1)** increasing product range **(1)** **Application:** up to 2 marks are available for contextualised answers identifying a strategy, e.g. For example, *Paul Smith Ltd.* corporate strategy was developing out from its beginning as a retailer in Nottingham expanding across the UK and into the rest of the world **(1)** expanding product range including designing cars, stationery, textiles etc. **(1)** **Analysis:** Candidate analyses using reasons/causes/ consequences/costs of corporate strategy that has led to diversification and expansion. E.g. the corporate strategy, based on designing a range of different products for different markets, each product with its distinctive *Paul Smith Ltd.'s* style **(1)** has enabled the business to expand its distribution internationally into 82 countries **(1)** and expand its product offer into a diverse range of product categories **(1)** which, when taken together, has resulted in a large and profitable business, with products that retain a distinctive style **(1)**	1-2 marks 1-2 marks 1-4 marks

Question Number	Question		Marks
4	The job description (Evidence D) lists the management of the critical path as a specific responsibility for the Development Supervisor. Assess the value of critical path analysis to a business such as *Paul Smith Ltd*.		10 marks
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of basic terms.	e.g. what is meant by critical path analysis e.g. the process of breaking down a project into individual/discrete activities, placing them in sequence, to identify the most effective route to completion of the project.
2	3-4	Application: basic points developed to show awareness of how critical path analysis could relate to the job described.	e.g. the Development Supervisor must work together with other functions – Design, Technical, Production, Sales. e.g. to achieve on time product launches.
3	5-7	Analysis in context must be present, i.e. the extent to which critical path analysis would relate to the job described, within the limits of the information provided in Evidence D. **N.B. if analysis is not in context, limit to Level 2.**	e.g. costs/waste/lead times could be minimised by identifying and following the critical path from design to product launch. e.g. it reduces the risk of time being lost if different functions are not working together to a managed time critical plan. e.g. the business could lose money because finished product would not be available for sale at the time required if critical path was not followed.
4	8-10	Evaluation must be present and in context, i.e. a candidate balances their answer. **N.B. if evaluation is not in context, limit to Level 3.**	e.g. CPA is based on predictions and is only as valid as the data being used. e.g. doesn't take into account external shocks such as supply of materials for shoes. e.g. it's value depends on all teams working to plan/taking the plan seriously such as designers.

Question Number	Question			Marks
5	Paul Smith is the chief executive, principal shareholder and chief designer of the business that bears his name, *Paul Smith Ltd*. (Evidence A) Assess the potential conflict for Paul Smith between his various stakeholder roles.			12 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding that, although an individual, Paul Smith will hold different stakeholder positions within the business. *Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.*	e.g. that a stakeholder is an individual or group with a direct interest in the business. e.g. that stakeholders may have different interest which may not always coincide, and thus result in conflicts of interest.	
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to show awareness of the different stakeholder roles held by Paul Smith. *Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.*	e.g. Paul Smith will need to consider the business from different perspectives. e.g. as CEO will be interested in long term growth of the business e.g. as principal shareholder will be interested dividends. e.g. as chief designer will be interested in creativity	
3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of any conflict which may arise from the different stakeholder roles held by Paul Smith **N.B. if analysis is not in context, limit to Level 2.** *Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.*	e.g. as principal shareholder Paul Smith will want to maximise his personal return which could conflict with the needs of the business long term, which might require investment. e.g. as chief designer, Paul Smith could cause conflict in the business if he pursues his personal design ideas rather than designs which are suited to the market as represented by his retail interests. e.g. it could be questioned whether Paul Smith can really be as good as he needs to be across each of the different/diverse stakeholder areas which he represents.	
4	8-12	**Low Level 4:** 8-10 marks. Evaluation must be present i.e. a candidate balances their answer by showing possible advantages	e.g. with responsibilities covering such a diverse range of disciplines, Paul Smith will be in a unique position to take	

		and disadvantages having a single stakeholder responsible for such different aspects of the business, responsibilities which could cause conflicts of interest. **High Level 4:** 11-12 marks. Evaluation is developed to show a real perceptiveness on the part of the candidate. Several strands may be developed; the answer is clear and articulate, leading to a convincing conclusion. **N.B. if evaluation not in context, limit to Level 3.** *Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.*	an overall view of how the business is developed and as such will be able to reduce potential conflict. e.g. Evidence B states that despite Paul Smith's multiple roles, there is no evidence that the business has been affected. e.g. Paul Smith's designs continue to be the backbone of the company so there is no apparent conflict. e.g. the company has continued to expand hence there is no evidence to suggest that Paul Smith cannot carry out his different stakeholder roles.

Section B: Essay questions

Question Number	Question		Marks
6	Assess the financial performance of *Paul Smith Ltd* from 2011 to 2012 (Evidence E).		20 marks
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of what is meant by assessing financial performance. *Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.*	e.g. analysing the data presented, and giving a view as to what it means, how well or not the business has performed based on financial data. e.g. analysing/reviewing what the business has achieved based on financial criteria.
2	3-6	Application must be present, i.e. the answer must be contextualised and applied to the Paul *Smith Ltd.* example. **Low Level 2:** 3–4 marks Candidate accurately calculates 1 or 2 ratios. **High Level 2:** 5–6 marks Candidate accurately calculates 3 or more ratios. *Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.*	e.g. gross profit margin for 2012 = 55.3%, 2011=55.8% e.g. profit margin for the financial year 2012=9.5%. 2011=10.7% e.g. operaing proft margin 2012=13.9%, 2011=16%. e.g. that the cost of sales as a proportion of revenue was 44.24% in 2011 and 44.72% in 2012. e.g. that revenue has increased year-on-year by £7 179 000/4.18%. e.g. that gross profit has increased year–on-year by £3 137 000/3.28% e.g. that operating profit has fallen year-on-year by £2 570 000/9.38% e.g. that profit for the financial year has fallen year-on-year £1 325 000/7.24% e.g. that the other operating expenses have increased by £5 707 000/8.35%.

Level	Mark	Descriptor	Possible content
3	7 -12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences **Low Level 3:** 7–9 marks Analysis limited: only one or two reasons/causes/costs or consequences are outlined. **High Level 3:** 10–12 marks Analysis is more developed: two or more reasons/causes/costs and/or consequences are outlined and developed. **N.B. if analysis is not in context, limit to Level 2.** *Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.*	e.g. that the cost of sales as a proportion of revenue has not increased significantly between 2011 and 2012. e.g. that revenue has increased year-on-year by £7 179 000 which represents a 4.18% increase. e.g. that gross profit has increased year on year by £3 137 000 which is an increase of 3.28%. e.g. that the operating profit and the profit for the financial year have both been reduced, year-on-year, as a result of an increase in the other operating expenses. e.g. that it could be argued that the business was not doing so well in 2012, compared with 2011, as the profit for the financial year as a % of revenue has fallen from 10.66% to 9.49%. e.g. that the other operating expenses have increased by £5 707 000 which represents an increase of 8.35%.
4	13-20	Evaluation must be present and in context, stating the extent to which the performance of *Paul Smith Ltd*. can be can be concluded from the figures in the Profit and loss account **Low Level 4:** 13–14 marks. Some evaluative points are made, based on analysis of the business situation without arriving at a conclusion/judgement. **Mid Level 4:** 15–17 marks. A judgement is attempted with some effort to show how well or not Paul Smith has performed, in financial terms, year-on-year, between 2011 and 2012 **High Level 4:** 18–20 marks. Convincing evaluation on the extent to which the business has performed well, or not	e.g. it will be useful to have access to historical data to look at the long term development/trends of *Paul Smith Ltd*. e.g. that with an annual increase of 4.18%, Revenue was barely keeping up with inflation, so did not represent any improvement in the overall performance of the business. e.g that it would be difficult to conduct any deeper analysis of the reason behind the changes in figures without drawing on additional information about the operation of the business. e.g. *Paul Smith Ltd.* operates

		Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion. **N.B. if evaluation not in context, limit to Level 3.** *Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.*	from a premium position in the market, this would have been affected by difficult external economic factors (recession) and it would be useful to compare *Paul Smith Ltd.*'s information to competitors in a similar business such as *Ted Baker plc.*

Question Number	Question			Marks
7	Evaluate the company's growth strategy as described in Evidence F and Evidence G.			20 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of what is meant by 'growth strategy'. *Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.*	e.g. the strategy used by a business to achieve an improvement of its position in the market through an increase in its revenue/distribution/product offer/competitive advantage.	
2	3-6	Application must be present, i.e. the answer must be contextualised and applied to Evidence F and Evidence G. **Low Level 2:** 3–4 marks Candidate makes a basic comment on the nature of company growth. **High Level 2:** 5–6 marks Candidate makes a detailed reference to the nature of company growth. *Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.*	e.g. Evidence F gives details of shop openings which is an example of organic growth. e.g. Evidence F lists continued growth in sales in retail, wholesale and licensed businesses. It shows organic growth across different distribution channels. e.g. Evidence G refers to a second joint venture in China, which is a way of achieving company growth.	
3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the nature of company growth. **Low Level 3:** 7-9 marks Candidate will attempt a very basic analysis, making general points, on one or two elements from Evidence F and/or G. **High Level 3:** 10-12 marks Candidate makes a more detailed analysis, making specific points, on most of the elements from Evidence F and/or G. **N.B. if analysis is not in context, limit to Level 2.** *Material is presented in a generally relevant and logical way but this*	e.g. the business has implemented a strategy of growth through new shop openings in key markets. This has been a successful strategy in the past. e.g. the efficiencies which result from the location of all office functions on one site will help contribute to a growth in profit. e.g. re-entering the Chinese market comes with risk which can be minimised through the joint venture with *ImagineX* as they have expertise in introducing western brands to China. e.g. additional investment is being made in administration, operational financial systems and the internet infrastructure, all of which	

		may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.	should lay a substantial foundation for continuing growth.
4	13-20	Evaluation must be present and in context, based on the strategy of growth for *Paul Smith Ltd* as described in Evidence F & G and identified by the candidate. **Low Level 4:** 13-14 marks Some basic evaluative points are made, referring to organic or inorganic growth. **Mid Level 4:** 15-17 marks Candidate gives a range of arguments, covering different aspects of company growth. **High Level 4:** 18-20 marks Candidate gives a wide range of arguments, to support it arguments for and against different aspects of company growth and comes to a conclusion. **N.B. if evaluation is not in context, limit to Level 3** *Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.*	e.g. having failed the first time unless lessons are learned this will not assist *Paul Smith Ltd* in its second attempt to enter the Chinese market. e.g. with the second attempt to enter the Chinese market, the chosen partner for the joint venture might be more appropriate because of their specialist expertise to *Paul Smith Ltd.* e.g. growth has to be sustainable to avoid overtrading, diseconomies of scale and problems with communication. e.g. the directors of *Paul Smith Ltd.* recognise the significant challenges of the present economic climate but appear willing to risk high investment now for future benefits.

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