GradeMax

Pearson Edexcel International Advanced Level

Business Studies

Mark Scheme (WBS03/01)

Unit 3: Strategic Business Decisions

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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.
- Mark schemes will indicate within the table where, and which strands of QWC, are being assessed. The strands are as follows:

  i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear
  ii) select and use a form and style of writing appropriate to purpose and to complex subject matter
  iii) organise information clearly and coherently, using specialist vocabulary when appropriate.

Section A: Short answer

Question Number	Question	Marks
1 (a)	What is meant by the term customer demand? (Evidence A, line 8)	2 marks
	Answer	
	Knowledge – up to 2 marks: • The desire to buy a good or service from a business **(1)** which can be converted by the business into sales **(1)** • The stimulus for a business to make particular goods or services available for sale **(1)** based on what it perceives/forecasts from research to be a profitable opportunity **(1)**	1-2 marks

Question Number	Question	Marks
1 (b)	What is meant by the term employees? (Evidence B, line 1)	2 marks
	Answer	
	Knowledge – up to 2 marks: • People/internal stakeholders whose time/labour is contracted to carry out work for a business **(1)** for which they are paid by the business **(1)** • Named persons who have a contract of employment with a business **(1)** and the business decides what the person does and how much they will be paid **(1)**	1-2 marks

Question Number	Question	Marks
2	Under '*Tesco* Values', the business states that its core purpose is to "create value for customers to earn their lifetime loyalty". Explain why customer loyalty is likely to be important to *Tesco*.	6 marks
	Answer	
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** a positive attitude held by a customer towards a business and/or its products **(1)** which results in a high level of repeat purchases rather than switching to a competitor **(1)** **Application:** up to 2 marks are available for contextualised answers that illustrate why customer loyalty is likely to be important to *Tesco* e.g. *Tesco* needs customers to produce revenue **(1)**Evidence E reports that *Tesco* is under pressure from competitors and discounters which will test customers' loyalty **(1)** **Analysis:** up to 2 marks are available for developing why customer loyalty is important to *Tesco* e.g. the consequence of competition from other retailers is that customers will be drawn away from *Tesco*, reducing revenue **(1)** to protect its business/market share/profitability *Tesco* will need to maintain the loyalty of its customers to ensure repeat purchase **(1)**	1-2 marks 1-2 marks 1-2 marks

Question Number	Question	Marks
3	Analyse **two** corporate objectives that Tesco is trying to establish in its news releases.(Evidence D)	8 marks
	Answer	
	(Knowledge 2, Application 2, Analysis 4) **Knowledge / understanding:** up to 2 marks are available for showing knowledge of corporate objectives e.g. improving their one or an environmental impact **(1)** expansion strategy **(1)** **Application:** up to 2 marks are available for contextualised answers identifying corporate objectives that have been set for the business e.g. one environmental objective can be seen in the reference to cutting carbon emissions **(1)** expansionary objectives can be seen in the reference to joint venture with *Tata* in India **(1)** **Analysis:** Candidate analyses using reasons/causes/ consequences/costs relating to the application and meeting of corporate objectives e.g environmental concerns are becoming more important to consumers **(1)** improving its environmental impact will make *Tesco* more competitive and successful **(1)** expanding into international markets will increase its customer base**(1)** thereby spreading risk **(1)**	1-2 marks 1-2 marks 1-4 marks

Question Number	Question			Marks
4	Tesco is involved in a wide range of businesses across different continents and will have many options for investment. Assess the usefulness of investment appraisal techniques to *Tesco*.			10 marks
Level	Mark	Descriptor	Possible content	
	0	No rewardable material.		
1	**1-2**	Knowledge/understanding of basic terms.	e.g. naming investment appraisal techniques such as simple payback/average rate of return/discounted cash flow e.g. a set of techniques that can be used to determine whether a capital investment project should be undertaken, or not	
2	**3-4**	Application: basic points developed to show awareness of how investment appraisal techniques could be used by an international retailer.	e.g. *Tesco* will need to be building stores in each country in which it trades e.g. *Tesco* will need to invest in IT systems to support *Tesco Bank*, its e-commerce business, its Click & Collect service etc.	
3	**5-7**	Analysis in context must be present, i.e. the extent to which investment appraisal techniques could be used **N.B. if analysis is not in context, limit to Level 2.**	e.g. investment appraisal techniques are useful when *Tesco* decides which of the many projects they could do, they will do e.g. if *Tesco* applied simple payback analysis to the building of new stores it would be able to estimate how long it would take for the new store to turn a profit e.g. because it has over 3,000 stores already it would be able to forecast average rate of return relatively accurately, based on its trading history e.g. discounted cash flow could be useful when planning a new project, such as e-commerce, to forecast whether the cash flow generated would make the project economically viable	

4	**8-10**	Evaluation must be present and in context, i.e. a candidate balances their answer with the limitations of investment appraisal techniques. **N.B. if evaluation is not in context, limit to Level 3.**	e.g. investment appraisal techniques are based on estimates/forecasts so will only be as accurate as the quality of the data used for the forecasts/the skill or experience of the team doing the forecast e.g. average rate of return calculations can only be based on past data, and whilst past data may indicate future performance, it cannot be guaranteed e.g. discounted cash flow calculations may meet the needs of accountants, but can stifle speculative ventures as it excludes entrepreneurial risk e.g. there are many variables which could affect the accuracy of any investment appraisal technique that is used such as external economic events e.g. investment appraisal techniques cannot take into account unforeseen external shocks

Question Number	Question	Marks
***5**	Tesco, a UK based business, has over 530,000 employees worldwide. Assess the extent to which Tesco's corporate culture can have an impact on all of its employees	12 marks

Level	Mark	Descriptor	Possible content
	0	No rewardable material.	
1	**1-2**	Knowledge/understanding of the concept of corporate culture. *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 set of important assumptions that are shared by people working in a particular business e.g. the set of important assumptions that influence the ways in which decisions are taken.
2	**3-4**	Application must be present, i.e. the answer must be contextualised and applied to show awareness of how a corporate culture can affect employees *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. with 530,000, employees worldwide the logistics of communicating a corporate message with each and every employee will be great e.g. Tesco continues to expand into new countries such as India and US e.g. Evidence C with its mission statement about creating value for customers
3	**5-7**	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of how the corporate culture can have an impact in a large retail business **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 a strong corporate culture will help employees bond and work together to a common standard e.g. Strong corporate culture will help employees to feel valued and therefore they will be more motivated e.g. Shared corporate culture will give employees transferable skills and increased mobility

4	**8-12**	**Low Level 4:** 8-10 marks. Evaluation must be present i.e. a candidate balances their answer by showing possible downside of impacts of the corporate culture across the 530,000 employees **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.*	e.g. the corporate culture that is developed may be appropriate in some countries/markets but may not be appropriate in others, causing conflict or causing it to be ignored e.g. a corporate culture on paper may appeal to shareholders (owner aspiration), but may be onerous on employees and not adhered to, which could affect employee motivation e.g. the impact of a corporate culture that is strong at head office is in danger of being diluted by the time it reaches some of the further outposts of the business, which will lessen its impact e.g. a corporate culture established in the UK is likely to be less relevant in some areas that the business trades, so its impact will be reduced e.g. standards vary across different cultures, and there is a danger that what is innocent and inoffensive in the UK could cause offence in some areas

Section B: Essay questions

Question Number	Question	Marks
***6**	Evaluate the importance of labour productivity figures for the UK and Asia and their implications for *Tesco.* (Evidence H)	20 marks

Level	Mark	Descriptor	Possible content
	0	No rewardable material.	
1	**1-2**	Knowledge/understanding of what is meant by labour productivity. *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. a measurement of the efficiency achieved by the average employee as calculated by labour productivity = output per time period/number of employees e.g. a tool of human resource management designed to help improve human resource competitiveness
2	**3-6**	Application must be present, i.e. the answer must be contextualised and applied to the Tesco figures. **Low Level 2:** 3–4 marks Candidate accurately calculates 1 or 2 examples of labour productivity or limits calculation to one region. **High Level 2:** 5–6 marks Candidate accurately calculates 3 or more examples of labour productivity across both regions. *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. candidate needs to know the correct formula for calculating labour productivity and can apply it to the figures provided in the table, Evidence H

	2010	**2011**	**2012**	**2013**
Revenue UK £m	39 104	40 766	42 803	43 579
Employees	196,604	200,966	205,852	213,304
labour productivity £	**198 897**	**202 850**	**207 931**	**204 305**
Revenue Asia £m	8 465	9 802	10 828	11 479
Employees	89,310	94,141	108,149	115,499
labour productivity £	**94 782**	**104 120**	**100 121**	**99 386**

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. UK revenue increased each year 2010-2013 e.g. the number of UK employees has increased each year 2010-2013. e.g. however, having risen between 2010 and 2012, labour productivity in the UK declined in 2013 e.g. revenue in Asia has grown steadily since 2010. e.g. the number of employees in Asia also grew between 2010 and 2013 e.g. however, labour productivity in Asia, peaked in 2011, fell back in 2012 and declined further in 2013
4	**13-20**	Evaluation must be present and in context, stating what the measures of labour productivity could mean for *Tesco* **Low Level 4:** 13–14 marks. Some evaluative points are made, based on analysis of the figures. **Mid Level 4:** 15–17 marks. A judgement is attempted with some effort to show how well or not labour productivity in Asia compares with that in the UK. **High Level 4:** 18–20 marks. Convincing evaluation on the extent to which labour productivity in Asia differs from that achieved in the UK, suggesting reasons why there may be a difference 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.*	e.g. it would appear that, for *Tesco*, labour productivity does not necessarily increase in line with growth in revenue or increasing numbers of employees, they should investigate further. e.g. that *Tesco* is not achieving the same level of labour productivity in Asia as it enjoys in the UK and may need to change its processes and procedures e.g. that *Tesco* could increase revenue in Asia dramatically if it could achieve the same level labour productivity in Asia as in the UK. e.g. *Tesco* need to identify if these figures are unique to them or replicated in other similar businesses. If they are similar, the need for further action may be reduced.

Question Number	Question	Marks
***7**	Evaluate the usefulness to *Tesco* in forming a joint venture with CRE's *Vanguard*.	20 marks

Level	Mark	Descriptor	Possible content
	0	No rewardable material.	
1	**1-2**	Knowledge/understanding of what is meant by a 'joint venture'. *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. when two or more businesses set up a new business which will be operated jointly.
2	**3-6**	Application must be present, i.e. the answer must be contextualised and applied to *Tesco* and its joint venture partner CRE/*Vanguard*. **Low Level 2:** 3–4 marks Candidate makes a basic comment on the facts and figures surrounding the joint venture. **High Level 2:** 5–6 marks Candidate makes a detailed reference to the facts and figures surrounding the joint venture. *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. the joint venture will massively increase the number of store that *Tesco* operates in China, from 134 to over 3,000. e.g. the stores within *Tesco*'s current operation are running at a loss, -£222m for the year to February 2013 e.g. in contrast, CRE's *Vanguard* stores did generate profits in 2013. e.g. the figures in Evidence F confirm that the Chinese market offers a massive opportunity for retailers.

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 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. *Tesco* clearly see the opportunities in China, but have so far not been financially successful. e.g. *Tesco* have been struggling to make a success in some overseas markets (USA and China noted). e.g. despite losses of £222m in China *Tesco* are still keen to find some way of operating profitably e.g. the joint venture should combine the strengths that each partner brings to the new business i.e. *Tesco*'s retail expertise and CRE/*Vanguard*'s number/distribution of stores e.g. *Tesco* needs to make a success in China to satisfy shareholders who will be aware of the losses to date. e.g. retail supermarkets have reached market saturation in the West, and the operators need to enter new markets to maintain growth e.g. *Tesco* needs to make a success in China to maintain its position against competition. e.g. joint venture partner could provide local knowledge to help overcome language/cultural barriers.

4	**13-20**	Evaluation must be present and in context, based on the wisdom of Tesco forming a joint venture for the Chinese market. **Low Level 4:** 13-14 marks Some basic evaluative points are made, referring to joint ventures. **Mid Level 4:** 15-17 marks Candidate gives a range of arguments, covering different aspects of joint ventures. **High Level 4:** 18-20 marks Candidate gives a wide range of arguments, to support it arguments for and against forming a joint venture in China. **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. joint ventures are all very well, but there is a risk that having established the new business, the partners may have different objectives or may change their requirements from the other partner e.g. joint ventures require the sharing of sensitive information which could be damaging if the venture fails e.g. a joint venture could end in disaster/a break up which will have a negative impact on both parties e.g. despite the risks, the market opportunity in China is so massive that *Tesco* is willing to take the risk and form the joint venture. e.g. there could be issues relating to a mismatch of corporate cultures, communication problems with different languages e.g. China has had problems with IPR theft in a market which is regulated very differently from the way that western markets are regulated/policed

Assessment objectives

Question	knowledge	application	analysis	evaluation	TOTAL
1a	**2**	**-**	**-**	**-**	**2**
1b	**2**	**-**	**-**	**-**	**2**
2	**2**	**2**	**2**	**-**	**6**
3	**2**	**2**	**4**	**-**	**8**
4	**2**	**2**	**3**	**3**	**10**
5	**2**	**2**	**3**	**5**	**12**
6	**2**	**4**	**6**	**8**	**20**
7	**2**	**4**	**6**	**8**	**20**
TOTAL	**16**	**16**	**24**	**24**	**80**