GradeMax



Mark Scheme (Results)

January 2018

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

Section A: Data response

Question Number	Question	
1 (a)	What is meant by the term brand? (Evidence C, line 5)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • A name, symbol or logo **(1)** that identifies/differentiates the product/business in the eyes of the consumer. **(1)** 1 mark for partial or vague definition but a valid example lifts to 2 marks. • Any other suitable alternative.	1-2

Question Number	Question	
1 (b)	What is meant by the term investments? (Evidence C, line 17)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • Spending by a business **(1)** in order to generate returns in the future **(1)** 1 mark for partial or vague definition but a valid example lifts to 2 marks. • Any other suitable alternative.	1-2

Question Number	Question	
2	*Levi Strauss & Co.* has strategies in place for growth. (Evidence C) Explain **two** positive effects of growth for a business such as *Levi Strauss & Co.*	6 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks for knowledge/understanding of advantages to Levi's of company growth, e.g. growth can lead to increased market share **(1)** and gives potential for diversification **(1)** **Application:** up to 2 marks are available for contextualised answers based on plans outlined in Evidence C, e.g. *Levi Strauss & Co.* believes that new geographic markets offer opportunities for growth, such as China and Russia **(1)** it also believes that there are growth opportunities in expanding its range for female consumers, such as tops and outerwear **(1)** **Analysis:** up to 2 marks are available for developing reasons/causes/consequence of growing the business, e.g. an increased share of the global market will increase revenue and potentially profit **(1)** if planned correctly, diversification will spread risk because if one area of the market declines others may compensate **(1)** **NB If only one positive effect, maximum 3 marks.**	1-2 1-2 1-2

Question Number	Question	
3	Using Evidence B, analyse what has happened to the profitability of *Levi Strauss & Co.* between 2012 and 2015.	8 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 4) Gross profit/Net revenue **(1)** x 100 **(1)** = Gross Profit Margin 2012: 2 199/4 610 x 100 **(1) =** 47.7% **(1)** 2015: 2 269/4 494 x 100 **(1)** = 50.5% **(1)** Therefore profitability has increased between 2012 and 2015 **(1)** despite the decline in net revenue **(1)**	

<table>
<tr><td>Question Number</td><td colspan="3">Question</td><td></td></tr>
<tr><td>4</td><td colspan="3">Levi’s 501 jeans continue to have high and steady sales in many countries. Denizen jeans are a recent introduction, selling through one retailer in just one country.

Assess the usefulness of the Boston Matrix to the management at Levi Strauss & Co. when deciding on strategies for the future of its products.</td><td>10 marks</td></tr>
<tr><td>Level</td><td>Mark</td><td>Descriptor</td><td colspan="2">Possible content</td></tr>
<tr><td>1</td><td>1-2</td><td>Knowledge/understanding of basic terms.

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.</td><td colspan="2">e.g. candidates may draw the Boston Matrix

e.g. the Boston Matrix is a business tool used for product portfolio analysis</td></tr>
<tr><td>2</td><td>3-4</td><td>Application: basic points developed to show the practicalities of using the Boston Matrix

<table>
<tr><td></td><td colspan="2">High MARKET SHARE Low</td></tr>
<tr><td>High

M
A
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G
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H

Low</td><td>Rising Star</td><td>Problem Child/? Denizen jeans</td></tr>
<tr><td></td><td>Cash Cow Levi’s 501</td><td>Dog</td></tr>
</table>

Material is presented in simple, logical, easy to follow way 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.</td><td colspan="2">e.g. the correct positions are shown in the Boston Matrix

e.g. the correct positions are described

NB Denizen jeans could also be argued to be a ‘Dog’</td></tr>
</table>

3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of using the Boston Matrix **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. a visual representation of a situation, and any associated problems or opportunities, can sometime be more helpful than just relying on figures - especially when dealing with people/teams that are not numeric or have a weak understanding of economics e.g. it can be part of balancing the product portfolio e.g. products that have potential for future development are indicated, which can help planning and exploitation e.g. products that no longer have potential in the marketplace can be indicated and plans made for milking, re-launch or withdrawal
4	8-10	Evaluation must be present and in context, i.e. a candidate balances the weaknesses associated with using the Boston matrix compared to other ways of analysing a product portfolio. **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. the Boston Matrix may be too simplistic, compared to rigorous monetary analysis e.g. conclusions drawn from the Boston matrix could cause *Levi Strauss & Co.* to lose money trying to sustain an old product that has been superseded by changes in fashion e.g. the positioning of products into the Boston Matrix, and interpretation of positions, needs skill and experience which can be belied by the apparent simplicity of the task e.g. market share and market growth is just one way of measuring the performance of a product, other factors such as portfolio completion, brand strength, competitive advantage or customer loyalty may be more important for some products

			e.g. consideration of an overall business may be more important than analysis of individual products

Question Number	Question		
5	Assess the extent to which *Levi Strauss & Co.*'s strategy of improving its cost structure will help its competitiveness. (Evidence C)		12 marks
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of improving its cost structure *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. cutting direct and indirect costs e.g. making savings in fixed and variable costs e.g. making cost-saving efficiencies
2	3-4	Application must be present, i.e. how *Levi's* plans to improve its cost structure *Material is presented in simple, logical, easy to follow way 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. *Levi's* plans to save money through efficiencies in product development, such as using cheaper fabrics e.g. *Levi's* believes that savings can be made throughout its supply chain by seeking cheaper suppliers
3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of *Levi's* strategy of improving its cost structure **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. so long as revenue remains stable, improving the cost structure, making savings, should result in higher profits e.g. even if revenue falls, profitability can still be increased as a result of reducing costs e.g. strategy should result in long-term profitable growth so long as cost efficiencies can be maintained and do not slip back over time e.g. cutting costs would allow the business to lower prices to become more competitive, whilst maintaining profitability

4	8-12	Evaluation must be present, giving the downside of the strategy of improving its cost structure **Low Level 4:** 8-10 marks. Evaluation must be present i.e. a candidate balances their answer by identifying the downside of this strategy **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. one result of cutting costs could be the substitution of expensive materials for lower quality materials, which could be reflected in process quality which will be noticed by customers, causing dissatisfaction with the products, and sales could start to fall e.g. a single-minded focus on improving the cost structure could deflect employees from other market dynamics, such as competitor activity, new technology, market developments, etc. e.g. cost efficiencies in one part of an operation could lead to cost increases in other areas, such as cheaper packaging leading to an increase in damaged goods and returns e.g. pressure on suppliers to reduce costs could harm relationships, which could cause problems with supply or future terms and conditions of supply e.g that competitiveness in this industry is not all about unit cost but also about the strength of the brand

Section B: Essay questions

Question Number	Question			
6	Using Evidence E, evaluate the implications of the contribution made at each stage of the supply chain for the owners of the *Sepal Group*, *Li & Fung* and *Asda*.			20 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of what is meant by contribution. *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. candidate defines contribution as selling price minus variable cost per unit e.g. candidate notes that contribution can be used to calculate break-even point e.g. that contribution, in the context of this qualification, is a financial factor taken into account when making strategic and tactical decisions	
2	3-6	Application must be present, i.e. candidate must calculate contribution figures for the *Sepal Group* and *Asda*, they may also calculate the contribution % enjoyed by *Li & Fung* **Low Level 2:** 3-4 marks Candidate accurately calculates 1 or 2 contribution figures. **High Level 2:** 5-6 marks Candidate accurately calculates 3 contribution figures. *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.*	Contribution for the *Sepal Group* = \$7.28 - \$7.02 = \$0.26 or 3.6% Contribution for *Li & Fung* = \$11.61 - \$0.58 = \$11.03 or 95.0% Contribution for *Asda* = \$18.44 – \$11.65 = \$6.79 or 36.8%	

3	7 -12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences as a result of comparing the contributions made at each point of the supply chain **Low Level 3:** 7–9 marks. Analysis limited: only 1or 2 reasons/causes/costs or consequences are outlined. **High Level 3:** 10–12 marks. Analysis is more developed: 2 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. the contribution taken by the *Sepal Group*/ manufacturer is extremely low, in comparison to other points in the supply chain e.g. the owners have to sell large amounts of products to gain even a small profit. This has implications for health and safety, investment and expansion, and their own dividends e.g. *Li & Fung*/the shipping agents enjoy the greatest contribution e.g. the owners are likely to enjoy high levels of profit and adding to their personal wealth e.g. the contribution taken by *Asda*/retailer, at the end of the supply chain is more that *Sepal Group* and less that *Li & Fung* e.g. *Asda* shareholders should expect a reasonable dividend as a result of this level of contribution
4	13-20	Evaluation must be present and in context as a result of comparing the contribution at each point of the supply chain **Low Level 4**: 13-14 marks Some basic evaluative points are made, about the comparisons. **Mid-Level 4**: 15-17 Candidate gives a range of arguments in their comparison. A conclusion/ judgement may be attempted. **High Level 4**: 18-20 Candidate gives a wide range of arguments discussing their conclusion. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion.	e.g. the contribution is used to pay off fixed costs before a profit is made e.g. to make an effective judgement additional information is required, such as the level of fixed costs at each point of the supply chain e.g. the manufacturer/*Sepal Group* may have low fixed costs because of old machinery and the contribution may satisfy the owners e.g. the shipping company/*Li & Fung* may have high fixed costs because of high property prices in Hong Kong/high cost of owning ships thus reducing the

		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.*	owners' personal gain e.g. the retailer/*Asda* has high fixed costs in maintaining a large retail chain which may reduce shareholders' dividends

Question Number	Question			
7	Assess the importance of external factors on the corporate strategies of Bangladeshi businesses involved in the production of denim cloth and denim jeans.			20 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of external factors which affect corporate 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. a corporate strategy outlines the long term aims of the business. e.g. external influences on strategy, include Political, Economic, Social, Technological, Legal and Environmental (PESTLE) factors.	
2	3-6	Application must be present, i.e. candidate must give a contextualised answer relating to external factors that are likely to affect the corporate strategy of Bangladeshi businesses. **Low Level 2:** 3–4 marks. Candidate identifies 1 or 2 examples of external factors that are likely to affect the corporate strategy, based on given evidence. **High Level 2:** 5–6 marks. Candidate identifies and makes detailed references to more than 2 examples of external factors that are likely to affect the corporate strategy, based on given evidence *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 global denim jeans market continues to grow on account of its lifespan as compared to other clothing (social) e.g. premium denim has the highest market potential (economic) e.g. more stores selling premium denim are opening in developing countries (economic) e.g. Bangladesh has been plagued by uncertainties - issues of sustainability, political upheaval (political) e.g. advances in technology e.g. new focus on social responsibility in Bangladesh (social) e.g. continuing low costs (economic) e.g. global denim prices are relatively weak (economic) e.g. changes in production capacity in different countries (economic) e.g. the cyclical nature of the global denim business (economic)	

3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/ causes/ costs/ consequences of the importance of external factors that affect the corporate strategy of Bangladeshi businesses. **Low Level 3:** 7-9 marks. Candidate will attempt a very basic analysis, making general points about the importance of external factors on corporate strategy. **High Level 3:** 10-12 marks. Candidate makes a more detailed analysis, making specific points about the importance of external factors on corporate strategy. **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. Bangladeshi manufacturers rely on demand being created by social factors in developed nations to stimulate sales of denim jeans, something over which they have no control, which leaves them vulnerable and could affect their long term strategy e.g. with the global jeans market forecast to grow, Bangladeshi denim producers have opportunities for increasing their business in the future, which could result in greater investment in plant & machinery e.g. the political/social situation in Bangladesh could give businesses an uncertain future so they may be more reticent to invest in the future e.g. with the global price of denim being squeezed, Bangladeshi manufacturers may need to cut their own costs to compete e.g. technological advances in other countries could take business away from Bangladesh, unless Bangladeshi businesses set a strategy to invest in new technology themselves
4	13-20	Evaluation must be present and in context, based on the extent to which external factors that are likely to affect the corporate strategy of Bangladeshi businesses **Low Level 4:** 13-14 marks. Some basic evaluative points are made, referring to the extent that corporate strategy of Bangladeshi business is likely to be affected by external factors. **Mid Level 4:** 15-17 marks. Candidate gives a range of comments on the extent that corporate strategy of Bangladeshi	e.g. a strategy could be developed to take a business out of the global market and develop a niche business for domestic customers, providing this could generate sufficient funds to keep the business going e.g. business owners may have personal/family reasons to have the business running no matter how it is affected by PESTLE e.g. businesses may be a minor part of much larger

		business are likely to be affected by external factors **High Level 4:** 18-20 marks. Candidate gives a wide range of arguments, to highlight the extent that corporate strategy of Bangladeshi business are likely to be affected by external factors Several strands may be developed; the answer is clear and articulate leading to a convincing 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.*	organisation that is willing to let it run up losses to offset tax in other areas of operation e.g. the entire output of denim cloth may be used by other parts of the business for the production of clothing, so only affected by internal factors/demand e.g. long term corporate strategy may not be affected by short term fluctuations of external factors e.g. the demand for denim cloth is long established and corporate strategy is relatively unaffected by PESTLE

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

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