GradeMax



Mark Scheme (Results)

October 2018

Pearson Edexcel International Advanced Subsidiary
In Business Studies (WBS03)
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.

Section A: Data response

Question Number	Question	
1 (a)	What is meant by the term brand image? (Evidence D, line 6)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • Distinctive features eg name/logo/packaging/corporate design/advertising created by a business **(1)** that makes the business recognised and appealing to customers **(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 innovation? (Evidence A, line 19)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • Bringing new/original ideas to the marketplace/workplace **(1**) which helps achieve a competitive advantage/will make them different and sell more **(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	The production process in *Pizza Express* restaurants - the preparation, assembly and cooking of pizzas to time and to order - requires careful planning to satisfy the customer. Explain why *Pizza Express* might use critical path analysis to manage the production process in its restaurants.	6 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge / understanding:** up to 2 marks for why *Pizza Express* might use critical path analysis e.g. to identify the shortest/most effective route to produce its products/pizzas **(1)** because the production of its products involves a number of different elements/steps **Application:** up to 2 marks are available for contextualised answers based on the application of critical path analysis to *Pizza Express* production process e.g. each pizza has to go through several stages from preparation to cooking **(1)** customers expect pizzas to be served swiftly using a wide range of ingredients **(1)** **Analysis:** up to 2 marks are available for developing reasons/causes/consequences of using critical path analysis in the production process e.g. costs/waste/time could be minimised by identifying and following the critical path from the order being placed to the pizza being served to the customer **(1)** this increases customer satisfaction and is likely to encourage repeat business and brand loyalty **(1)**	1-2 1-2 1-2

Question Number	Question	
3	Analyse how customers, as stakeholders, can influence *Pizza Express*.	8 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 4) **Knowledge / understanding:** up to 2 marks are available for showing understanding of how customers can influence *Pizza Express*, e.g. customers can choose to use *Pizza Express* rather than other restaurants **(1)** *Pizza Express* has responded to customers' wants with a range of options **(1)** **Application:** up to 2 marks are available for contextualised answers, e.g. customers can upgrade their pizza with additional toppings or they can add any other available ingredients **(1)** extra services such as delivery service and chicken restaurants **(1)** **Analysis:** Candidate analyses using reasons/causes/ consequences/costs of how *Pizza Express* has responded, e.g. by responding to customers' wants customer satisfaction is likely to be enhanced **(1)** therefore *Pizza Express* is more likely to increase sales **(1)** without taking notice of customers as stakeholders *Pizza Express* could lose their business as they choose to go elsewhere **(1)** if this were to happen sales and profitability could decline **(1)**	1-2 1-2 1-4

Question Number	Question			
4	Pizza is a very popular food in many countries. Pizzas are often sold at low prices, in what is a highly competitive market. Assess the usefulness of Porter's strategic matrix in developing a corporate strategy for a business such as *Pizza Express*.			10 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of Porter's strategic matrix *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 method that can be used in the development of a corporate strategy, based on positioning in terms of cost leadership/differentiation/cost focus/differentiation focus	
2	3-4	Application: basic points developed to show awareness of the application of Porter's strategic matrix to *Pizza Express*, *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. the personalised pizza being offered (Evidence B) as an alternative to a standard range/offer e.g. the way that *Pizza Express* offers great food, good music and distinctive design (Evidence D) which is designed to appeal to a niche market/customers who like this rather than a general, bland take away restaurant	
3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of developing a strategy using Porter's strategic 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*	e.g. personalised pizzas follow the narrow differentiation focus from Porter e.g. the great food, good music and distinctive design follow the broad differentiation from Porter e.g. differentiation will make *Pizza Express* products stand out and appeal to consumers in a market where many competitors sell similar/identical products	

		cause some passages to lack clarity or coherence.	e.g. this is likely to enable *Pizza Express* to charge higher prices in a very competitive market
4	8-10	Evaluation must be present and in context, i.e. a candidate balances the weaknesses of the use of Porter's strategic matrix **N.B. if there is evaluation but no context at all, then 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. focus on developing a distinctive strategy based on Porter's theories may be distracting and less effective against a competitor that only uses price differentiation e.g. Porter ignores more fundamental business concerns such as profit margin e.g. Porter's strategic matrix is criticised for being too generic and rigid for many businesses in a fast moving and competitive market e.g. there is a clash between the two main objectives of Porter i.e. low cost leadership and differentiation which can result in no proper direction for a business

Question Number	Question			
5	Evidence C and D can be described as mission statements for *Pizza Express*. Assess the effects that international growth could have on the ability of *Pizza Express* to fulfil its mission statements.			12 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of company growth and/or mission statement *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. growth is a strategy used by a business to achieve an improvement of its position in the market through an increase in its revenue/areas of operation/product offer/competitive advantage e.g. international growth refers to growth beyond its home market e.g. a mission statement is a statement of the aims of a business designed to give stakeholders a sense of direction or common purpose	
2	3-4	Application must be present, i.e. candidate must identify the *Pizza Express* mission statement within Evidence C and D. *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. identification of 'Different countries. Same standards.' as a mission statement e.g. no matter how much *Pizza Express* grows in size its product will be the same standard e.g. no matter how wide *Pizza Express* expands its international operation, the style of its outlets will remain the same/the food will be of the same menu/the same quality	
3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of international company growth on the *Pizza Express* mission statement **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*	e.g. as new restaurants are opened abroad they are based on the success of the UK business model e.g. the range of products offered in new restaurants are initially based on tried and tested UK menus and tastes e.g. by keeping things the same, such as deco, music and menu, the brand image of *Pizza Express*	

		sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.	is enhanced throughout the world
4	8-12	Evaluation must be present, giving the downside, exploring the problems associated international company growth and its effect on the *Pizza Express* mission statement **Low Level 4:** 8-10 marks. Evaluation must be present i.e. a candidate balances their answer by identifying the problems associated with international company growth and its effect on the *Pizza Express* mission statement **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 there is evaluation but no context at all, then 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. as a result of international growth *Pizza Express* may find that its mission statement is difficult to maintain as it attempts to trade in different cultures e.g. what appeals about *Pizza Express* in the UK may not be as attractive in, say, Beijing or Dubai e.g. with over 100 restaurants in a range of different countries it may be difficult to communicate /apply the standards of the mission statement due to differences in language e.g. however, the strength of *Pizza Express'* brand image and product as stated in its mission statements as outlined in Evidence C and D may enable it to overcome differences in culture and taste, and therefore fulfil its mission statements

Section B: Essay questions

Question Number	Question			
6	Assess the competitiveness of *Pizza Express* based on the statement of comprehensive income. (Evidence E)			20 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of how competitiveness can be gauged from financial statements such as this statement of comprehensive income *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 competitiveness of a business is a measure of its performance based on different indicators, such as revenue and profitability e.g. the statement of comprehensive income shows the performance of the business over time, in terms of revenue/profit/operating expenses e.g. competitiveness in terms of profitability can be calculated by comparing operating profit with revenue	
2	3-6	Application must be present, i.e. candidate must calculate change in revenue and gross profit from 2015 to 2016, **Low Level 2:** 3-4 marks Candidate accurately calculates figures for *Pizza Express* total business **High Level 2:** 5-6 marks Candidate accurately calculates figures for *Pizza Express* total business plus UK and Ireland, and International *Material is presented with some relevance but there are likely to be calculations that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.*	***Pizza Express* Total 2015-2016** Revenue +39.3% Gross Profit +30.9% Gross Profit Margin 30.8% to 29.0% Operating Profit +21.3% Operating Profit Margin 23.4% to 20.4% Cost of sales has increased by £80 419 000, +43.0% ***Pizza Express* UK & Ireland 2015-2016** Revenue +24.8% Gross Profit +22.9% Gross Profit Margin 30.4% to 29.9% Operating Profit +20.3% Operating Profit Margin 23.3% to 22.4% Cost of sales has increased by £47 721 000, +25.6% ***Pizza Express* International 2015-2016** Revenue +1,475%	

			Gross Profit +341% Gross Profit Margin 77.2% to 21.6% Operating Profit 90.7% Operating Profit Margin 33.1% to 4.0% Cost of sales has increased by £32 698 000, +5,316%
3	7-12	Analysis in context must be present, i.e. the candidate must analyse the figures to assess usefulness, giving reasons/causes/costs/consequences of using the statement of comprehensive income (Evidence E) when trying to understand the competitiveness of *Pizza Express*. **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. statement shows that growth in total revenue, +39.2%, and from UK and Ireland, +24.8%, is overshadowed by the growth of revenue from international outlets, up +1574% e.g. revenue from the UK and Ireland remains the largest part of the total business, but has remained relatively static, so moving into international markets seems to be the way forward to grow and remain competitive e.g. opening up outlets in international markets has helped increase revenue and overall profit figures, although profit margin has reduced slightly e.g. cost of sales in all markets has increased, but by the greatest amount in international markets e.g. cost of sales in international markets is disproportionately high, compared with UK and Ireland, and business may have concerns unless figures change and profit levels start to improve to show that the investment has been worthwhile

4	13-20	Evaluation of the usefulness of using the statement of comprehensive income (Evidence E) when trying to understand the competitiveness of *Pizza Express* must be present and in context **Low Level 4**: 13-14 marks Some basic evaluative points are made, about usefulness. **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. **N.B. if there is evaluation but no context at all, then 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. impressive though growth in international markets is, overall revenue from this sector remains a small part of the overall business, at 11.3% of total revenue e.g. financial performance of the business is only one way of assessing competitiveness e.g. Evidence E only covers two years, further historical data would also be useful e.g. financial information is only a 'snapshot' of performance and may be inaccurate; therefore judgements made on this should be kept in context. e.g. *Pizza Express* may be more concerned with long-term profitability of the business and will be less worried about short-term changes shown in Evidence E e.g. with just revenue and profit figures there is not sufficient data to draw any conclusions or suggest reasons why UK/Ireland and international business areas have performed at a different rates

Question Number	Question			
7	Evidence F outlines a number of risks identified by *Pizza Express.* Evaluate the usefulness of contingency planning for a business such as *Pizza Express*.			20 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of contingency planning *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 a business conducts a risk assessment before making changes, and puts in place backup plans which will be ready in case the initial plan does not work as expected e.g. when a business is prepared for all eventualities, to protect itself from disasters or shocks	
2	3-6	Application must be present, i.e. candidate must give a contextualised answer relating the usefulness of contingency planning for the risks outlined in *Pizza Express* Strategic Report. **Low Level 2:** 3–4 marks. Candidate makes a basic comment on the risks and how *Pizza Express* may be affected **High Level 2:** 5–6 marks. Candidate makes a detailed reference to the risks and how *Pizza Express* may be affected *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. competition, from other chains, such as McDonalds e.g. *Pizza Express* business could be affected by the economic conditions/Brexit e.g. supply of products of a quality to meet corporate standards as the business spreads worldwide/into international markets, such as Mumbai and Beijing e.g. a business that has most of its outlets in the UK would be subject to international currency and exchange rate fluctuations as it starts to trade in different countries e.g. there is an inherent risk in trying to expand through new restaurants in international markets, such as Dubai e.g. there are risks inherent in taking on franchisees that may not maintain the standards of the franchisor	
3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/	e.g. contingency planning would allow *Pizza Express* to react quickly to potentially damaging events	

		consequences of the benefits of contingency the planning for the risks outlined in *Pizza Express* Strategic Report. **Low Level 3:** 7-9 marks. Candidate will attempt a very basic analysis, making general points about the use of contingency planning. **High Level 3:** 10-12 marks. Candidate makes a more detailed analysis, making specific points about the usefulness of contingency the planning for the risks outlined in *Pizza Express* Strategic Report. **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.*	without wasting time and help to minimise potential losses/costs e.g. contingency planning would help *Pizza Express* defend its reputation for quality standards, and help to maintain relationships with stakeholders e.g. contingency planning can give a competitive advantage over rivals if *Pizza Express* is better prepared than the competitors for changes in the market/changes in foreign currency e.g. with an awareness of potential risks, if they arrive they will not be such a shock as the business will be prepared and have plans in place to mitigate the risk
4	13-20	Evaluation must be present and in context, based on the drawbacks of contingency the planning for the risks outlined in *Pizza Express* Strategic Report. **Low Level 4:** 13-14 marks. Some basic evaluative points are made, referring to the drawbacks of contingency planning. **Mid Level 4:** 15-17 marks. Candidate gives a range of comments on the drawbacks of contingency	e.g. contingency planning has an opportunity cost in terms of the time and resources involved and may never be needed. e.g. if too much time is spent on contingency planning the present costs may outweigh future benefits. e.g. the costs associated with contingency planning may outweigh cost of the problem that they are designed to avoid. e.g. contingency planning may be in place for more common

		planning. **High Level 4:** 18-20 marks. Candidate gives a wide range of arguments, to highlight the drawbacks of using contingency planning for the risks outlined in *Pizza Express* Strategic Report. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion. **N.B. if there is evaluation but no context at all, then 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.*	problems, such as those listed in Evidence F, but cannot cover all eventualities. e.g. contingency planning does not prevent things from going wrong e.g. contingency plans might be out of date or too complex to be effective e.g. most evaluation of contingency planning would conclude that it is essential for a business, a bit like insurance – it needs to be in place, with the hope that it is never needed e.g. contingency planning is likely to be positive for the business unless its implementation was onerous and consequently ignored, particularly when a UK head office is trying to manage outlets in other countries e.g. to be effective, contingency planning will need to focus on a realistic risk assessment and not concentrate on unlikely extremes such as earth being hit by meteor etc.

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