GradeMax



Mark Scheme (Results)

October 2019

Pearson Edexcel International Advanced Level
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 customers? (Evidence A, line 4)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • the persons or organisations that actually make the purchase **(1)** of goods/services from a business **(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	
1 (b)	What is meant by the term corporate strategy? (Evidence B, line 14)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • an action or decision that is designed to have a long-term effect on an organisation **(1)** which will be decided on by senior management/as part of business planning **(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	
2	The corporate culture at *Thomas Cook* has been established for 175 years. Explain the difficulties that a business such as *Thomas Cook* would face if it wanted to in change its established corporate culture.	6 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks are available for knowledge/understanding of the difficulties of changing an established corporate culture e.g. employees will be familiar with the established corporate culture and may be reluctant to change **(1)** long-established working practices will be difficult to change **(1)** **Application**: up to 2 marks are available: 1 mark for each contextualised way that demonstrates the corporate culture at *Thomas Cook* e.g. Thomas Cook's vision was established 175 years ago **(1)** this has not changed the corporate culture since the business started **(1)** **Analysis:** up to 2 marks are available for developing reason/cause/consequence/cost of the difficulties in changing an established corporate culture e.g. employees may not be able to work to the new culture and may leave **(1)** customers may not like the new culture and will use other travel agents **(1)**	1-2 marks 1-2 marks 1-2 marks

Question Number	Question	
3	Analyse how the strategy outlined in Evidence B is likely to give *Thomas Cook* a competitive advantage.	8 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 4) **Knowledge/understanding:** up to 2 marks are available for showing understanding of how the strategy (Evidence B) is likely to give *Thomas Cook* a competitive advantage e.g. *Thomas Cook* is providing a service that its competitors may not have provided **(1)** which differentiates them from other travel operators **(1)** **Application:** up to 2 marks are available for contextualised answers, e.g. *Thomas Cook* had a logistics plan **(1)** customers in potential danger were rescued safely **(1)** **Analysis:** Candidate analyses using reasons/causes/ consequences to analyse how the strategy (Evidence B) is likely to give *Thomas Cook* a competitive advantage e.g. potential customers will be reassured **(1)** and feel safe/confident that *Thomas Cook* will look after them better than other travel operators **(1)** the action by *Thomas Cook* will improve/reinforce its brand image as a caring company **(1)** making it more attractive to holiday makers than competitors **(1)**.	1-2 marks 1-2 marks 1-4 marks

Question Number	Question	
4	Assess the extent to which the situation outlined in Evidence C could affect labour turnover at a business such as *Thomas Cook*.	10 marks

Level	Mark	Descriptor	Possible content
1	1-2	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.*	e.g. labour turnover is a measurement of the rate at which employees are leaving an organisation e.g. labour turnover = number of staff leaving ---------- number of staff employed x 100
2	3-4	Application must be present i.e. the answer must be contextualised and applied to the information in Evidence C. *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. *Thomas Cook* acknowledges that it has a gender pay gap/that some men and women are not paid the same e.g. that there is an uneven distribution of men and women across the company e.g. there is a lack of representation of women in higher-paid roles such as pilots/ engineers/senior management
3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of the extent that labour turnover at *Thomas Cook* could be affected by the gender pay gap outlined in Evidence C. **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. women employees could leave/join another company which has a lesser gender pay gap e.g. gender pay gap/inequality could become such an issue that *Thomas Cook* would have to change its policies/would have to operate positive discrimination to reduce labour turnover e.g. *Thomas Cook* may have to raise the wages of women, which would increase the wage bill, which could affect profitability

Level	Mark	Descriptor	Possible content
4	8-10	Evaluation must be present and in context, i.e. a candidate balances their answer by concluding that the gender pay gap identified will not affect labour turnover at *Thomas Cook* **N.B. if there is evaluation but no context at all, 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. gender pay gap may not be an issue for employees at *Thomas Cook* as women and men are employed in different roles/at different levels e.g. by identifying the difference between equal pay and the gender pay gap, employees are satisfied and may not be inclined to leave the business e.g. labour turnover may not be affected if pay policies and practices are not deemed to be a problem for employees

Question Number	Question	
5	*Thomas Cook* has decided to introduce new holidays to different parts of the world. (Evidence D) Assess the value to *Thomas Cook* of using Ansoff's matrix when making this decision.	12 marks

Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of Ansoff's 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. Ansoff's matrix is a decision-making model that can be used to help businesses analyse its strategic options/ opportunities for growth e.g. Ansoff's matrix can help a business to assess the degree of risk or resource requirements for each option
2	3-4	Application must be present, contextualised answers that illustrate how Ansoff's matrix could have been used by Thomas Cook when making decisions about introducing new holidays to different parts of the world **Alternatively:** Candidate may draw Ansoff's matrix and label it, based on Evidence D: See below. *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. Ansoff's matrix could have been used to help identify an opportunity for sales growth from holidays/flights to Jamaica e.g. feedback from customers suggest that there are opportunities for new products/Jamaica holidays to be reintroduced

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<tr><td></td><td></td><td>
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<tr><td></td><td>Existing Products</td><td>New Products</td></tr>
<tr><td>Existing Market</td><td>Market Penetration Strategy</td><td>Product Development Strategy</td></tr>
<tr><td>New Market</td><td>Market Development Strategy i.e. sell its existing productions</td><td>Diversification Strategy i.e. develop a new production for each new market</td></tr>
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<tr><td>3</td><td>5-7</td><td>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences for Thomas Cook of using Ansoff's matrix when making business decisions

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.</td><td>e.g. Ansoff's matrix will help clarify market opportunities and consequently reduce the risk of introducing holidays/products that customers do not want

e.g. Ansoff's matrix could highlight opportunities for new products/holidays

e.g. use of Ansoff's matrix for product/market development could lead to increased sales/profitability

e.g. by plotting information that customers like to return to the same hotel each year, or travel on particular dates onto Ansoff's matrix would indicate opportunities for a market penetration strategy</td></tr>
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Level	Mark	Descriptor	Possible content
4	8-12	Evaluation must be present and in context, giving the downside, exploring the problems associated with relying on Ansoff's matrix **Low Level 4:** 8-10 marks. Evaluation must be present i.e. a candidate balances their answer by showing that there may not be much value to *Thomas Cook* in using Ansoff's matrix, rather than other decision making models. **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, 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. Ansoff's matrix is just one decision making model, others may be used and could give different readings of the situation for *Thomas Cook* e.g. formal market research in each market is likely to give *Thomas Cook* a better indication of the needs of each overseas market e.g. the indication of diversification as the best model will be the most expensive/least profitable option in an overseas market, and carries the greatest risk/highest likelihood of failure for *Thomas Cook*

Section B: Essay questions

Question Number	Question		
6	The new aircraft referred to in Evidence E are estimated to cost around £70 million each. Evaluate the usefulness of investment appraisal techniques to *Thomas Cook* when considering such purchases.		20 marks
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of what is meant by investment appraisal techniques *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 set of techniques that can be used to determine whether a capital investment project should be undertaken, or not
2	3-6	Application must be present, i.e. the answer must show how investment appraisal techniques, simple payback, average rate of return and discounted cash flow, can be used in the context of making high value purchases like the £70m aircraft **Low Level 2:** 3–4 marks. 1 or 2 investment appraisal techniques are described correctly. **High Level 2:** 5–6 marks. 3 plus investment appraisal techniques are described correctly. *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. simple payback = the length of time/number of flights it will take to recoup the £70m cash for each aeroplane e.g. average rate of return = a calculation of the average annual profit on an investment, expressed as a percentage, a calculation of the return that *Thomas Cook* can expect on its £70m per plane investment e.g discounted cash flow = an analysis of cash flow projections from an investment, discounted by an estimated factor representing opportunity costs, to arrive at net present value estimates for the £70m investment

Level	Mark	Descriptor	Possible content
3	7 -12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences for *Thomas Cook* of using investment appraisal techniques. **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. passenger growth rates in Europe would suggest that buying more new aeroplanes could be a good investment e.g. *Thomas Cook* would be keeping up with competitors, which will help it maintain its position in the future e.g. investment appraisal techniques are useful when *Thomas Cook* decides which of the many projects they could do, they will do e.g. if *Thomas Cook* applied simple payback analysis to the purchase of a new £70m aeroplane it would be able to estimate how long it would take for the investment to turn a profit e.g. because it already has a fleet of aircraft *Thomas Cook* 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 to buy new aeroplanes, to forecast whether the cash flow generated would make the project economically viable.

Level	Mark	Descriptor	Possible content
4	13-20	Evaluation must be present and in context, considering the usefulness to *Thomas Cook* of the investment appraisal techniques. **Low Level 4:** 13–14 marks. Some evaluative points are made, based on the usefulness to *Thomas Cook* of the investment appraisal techniques. **Mid Level 4:** 15–17 marks. A judgement is attempted with some effort to show the usefulness to *Thomas Cook* of the investment appraisal techniques. **High Level 4:** 18–20 marks. Convincing evaluation on the extent to which the investment appraisal techniques are useful to *Thomas Cook.* 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, 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. 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. payback is too simplistic to use for such a high investment in a volatile/ competitive industry e.g. payback ignores profitability e.g. payback may be suitable for short-term investments but not for long term, such as the life of an aeroplane 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 such as a downturn in the economy which will reduce spending on holidays/flights

Question Number	Question		
7	Assess the benefits for *Thomas Cook* of the type of company growth described in Evidence F.		20 marks
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of what is meant by company growth *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 development/ expansion of a business which may be organic, by expanding from within its own resources or inorganic, through mergers, takeovers and acquisitions
2	3-6	Application must be present, i.e. the answer must be contextualised and applied to the type of company growth described in Evidence F **Low Level 2:** 3–4 marks. Candidate makes a basic comment on the type of company growth shown in Evidence F **High Level 2:** 5–6 marks. Candidate makes a detailed reference to the type of company growth shown in Evidence F *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. growth in Evidence F is numerical i.e. opening 10 more Cook's Club hotels e.g. company growth demonstrated by opening new hotels, rather than taking over existing hotels e.g. opening more hotels means that *Thomas Cook* remains in the top 50 hotel companies in the world e.g. growth in the number of hotels will lead to more rooms/2,000 rooms being available for customers

Level	Mark	Descriptor	Possible content
3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the type of company growth shown in Evidence E **Low Level 3:** 7-9 marks. Candidate will attempt a very basic analysis, making general points, on one or two elements from evidence. **High Level 3:** 10-12 marks. Candidate makes a more detailed analysis, making specific points, on elements drawn from across the evidence. **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. opening new 'own brand' hotels suggests organic growth e.g. no suggestion in evidence that growth is based on mergers/takeovers e.g. organic growth preserves *Thomas Cook's* 175 year old corporate culture and reputation e.g. organic growth avoids takeovers which may be unsuccessful and damage the brand e.g. organic growth does not require large sums of money for takeover bids e.g. organic growth is usually considered to be less risky than inorganic growth e.g. *Thomas Cook* employees will feel more secure than if the growth is inorganic

Level	Mark	Descriptor	Possible content
4	13-20	Evaluation must be present and in context, explaining why the type of company growth shown in Evidence E may not have been the best strategy for *Thomas Cook.* **Low Level 4:** 13-14 marks. Some evaluative points are made, based on the company growth shown in Evidence E may not have been the best method for *Thomas Cook* without arriving at a conclusion/judgement. **Mid Level 4:** 15-17 marks. Candidate gives a range of arguments, drawn from different pieces of evidence to show why company growth shown in Evidence E not have been the best method for *Thomas Cook* without arriving at a conclusion/judgement. **High Level 4:** 18-20 marks. Candidate gives a wide range of arguments to show why company growth shown in Evidence E may not have been the best method for *Thomas Cook*. 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, 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. organic growth is risky as it relies on future customers liking/repeat buying the same products e.g. organic growth can mean that opportunities are missed if a competitor develops a particular product which is based on new developments/ technology that they have acquired by a takeover e.g. organic growth through own investment, does not necessarily translate into growth in revenue e.g. organic growth can be slow and may not keep up with changing trends in the holiday market and *Thomas Cook* may lose competitive advantage e.g. organic growth may not satisfy all stakeholders such as shareholders who want a fast return on their investment e.g. organic growth may miss out on innovation by other businesses which could have been acquired through a take over

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