GradeMax



Mark Scheme (Results)
January 2020

Pearson Edexcel International Advanced Subsidiary
In Business (WBS13)
Unit 3: Business decisions and strategy

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Question	Answer	Mark
1(a)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS1:** calculate, use and understand ratios, averages and fractions. **Knowledge** 1 mark for knowledge and understanding of how to calculate gross profit margin: Gross Profit x 100 **(1)** Revenue **Application** Up to 2 marks for correct application of figures to formula: £1 897.4m **(1)** x 100 £2 732.8m **(1)** **Analysis** 1 mark for showing correct answer: 69.43% (to 2 decimal places) **(1)**. **NB: If no working is shown, award marks as follows:** • If the answer given is 69.43% award 4 marks • If the answer given is 69.43 award 3 marks	**(4)**

Question	Answer	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** **Knowledge** 1 mark for identifying a difficulty, e.g. • Employee resistance to change **(1)** **Application** Up to 2 marks for contextualised answers, e.g. • The *Burberry* brand has been established for 162 years **(1)** • Changing from the iconic pattern to a new stripe/logo **(1)** **Analysis** 1 mark for developing the reason, e.g. • Employees might not like the new brand identity/direction of the brand and this reduces employee motivation **(1)** Accept any suitable alternative	**(4)**

Question	Indicative content
1(c)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **Quantitative skills assessed** **QS9** Interpret, apply and analyse information in written, graphical and numerical forms **Knowledge, Application, Analysis, Evaluation – indicative content** • The share price is the value of a share on the stock exchange • Extract C shows that *Burberry*'s share price has fluctuated over a period of time • Between 2017 and 2018 there was a radical change in the senior leadership at *Burberry* • The appointment of Gobbetti appeared to have an initial positive impact on the share price • The share price fell until Christopher Bailey announced he was leaving when there was a small rise and the share price continued to fall until Bailey's final collection was shown • Once Bailey had departed and Tisci became CCO the company began to prosper once more • This would tend to indicate that the leadership is very important in determining how well the company functions and its success • Nevertheless, the share price can also fluctuate as a result of changes in demand and supply • Changes in share prices are due to a number of factors such as confidence, financial performance and the state of the economy rather than because of the change in the senior leadership at *Burberry*

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors.

Question	Indicative content
1(d)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • The external technological environment is the impact of technological change on businesses through e-commerce and the use of mobile technology • *Burberry* was one of the first businesses to use digital technology with over 51 million followers globally, across 13 platforms and 11 languages • *Burberry* offers a mobile app in 33 countries which may result in greater market share due to accessing a wider number of potential customers • In China, customers can use WeChat to book appointments which could give *Burberry* an advantage over other luxury clothing businesses that do not offer such services, resulting in higher sales • 80% of online purchases in China are done on smartphones so by having an online presence this could result in *Burberry* increasing its sales • However, there are other factors which may have an impact on *Burberry*'s growth in China • Economic influences may also have an impact on how successful *Burberry* will be in China • A fall in consumer incomes may negatively affect *Burberry* if consumers cannot afford the £2 500 coats and £1 500 handbags • Political influences may also affect the success of *Burberry* in China if the Chinese Government restricts foreign businesses operating in China • *Burberry*'s success in China will be dependent upon many external influences and technology may give it a competitive advantage

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	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information though unlikely to show the significance of competing arguments.
Level 4	9–12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.

Question	Indicative content
1(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • A trade-off arises where having more of one thing potentially results in having less of another • By not destroying excess stock, *Burberry* may see its profits decline as the exclusivity of the brand is diminished if products are sold below market value • Some of *Burberry*'s customers may like to buy clothing with real fur so switch to other luxury clothes designers who still use fur • However, there may be no trade-off as profit for *Burberry* might increase if more customers switch to *Burberry* due to it being more socially and environmentally responsible • Many other high-end designers such as *Gucci* and *Stella McCartney* have already stopped using fur which indicates that there is great demand for clothing which is more ethical • Extract E states that 66% of customers are willing to pay more for sustainable goods so this could see an increase in demand for *Burberry* by being ethical • The overall impact may depend upon how socially and ethically aware its core customers are

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Level 3	5–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information though unlikely to show the significance of competing arguments.
Level 4	9–12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.

Question	Indicative content
2	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **QS5** Calculate cost, revenue, profit and break-even **QS9** Interpret, apply and analyse information in written, graphical and numerical forms **Knowledge, Application, Analysis, Evaluation – indicative content** • Decision trees show the possible outcomes of a decision with the estimated probability and expected monetary value of each of these outcomes • Extract F states that one of the main issues is that *Tata Motors* does not have many dealerships in rural areas of India where most of the potential customers live • Expanding the dealership network in India into rural areas, and increasing the 'Place', may mean more people might be able to get access a dealership and therefore purchase a Nano, further increasing sales • Dealership: 0.4 x $7m + 0.6 x -$1m = 2.8m – 0.6m = **$2.2m** • The dealership option should generate an expected value of $2.2m • However, the disadvantage of this method that it may take a long time to expand the dealership network, especially in such as large country as Indian • In contrast, *Tata Motors* could relaunch the Nano as a premium product through the use of advertising and promotion • Extract F states that the poor image of the Nano is why Indian consumers do not want to purchase the car • If the Nano was targeted as a premium car, with the support of the marketing mix, then this could result in higher sales, especially in the urban areas • Relaunch: 0.2 x $15m + 0.8 x -$2m = 3m – 1.6m = **$1.4m** • The relaunch option would generate an expected value of $1.4m. • Based on the decision tree alone, *Tata Motors* should pursue the dealership option as this has a higher expected return • However, the time it will take to open more dealerships might affect the decision • There are also other external factors which need to be considered such as the state of the Indian economy which may have an impact on the final decision • *Tata Motors*, could try and combine both strategies if it is to make a success of the Nano as the Extract seems to indicate that both issues need addressing

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Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.

Question	Indicative content
3	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • Succession planning is a process for identifying and developing new leaders, from existing employees who can replace existing leaders when they leave, retire or die • *Alibaba* and Jack Ma have planned ahead and implemented a succession plan for Jack Ma who will step down as chairman in 2019 • The benefits of having a succession plan may result in *Alibaba* not being negatively affected during a transition period when Jack Ma steps down and the current CEO, Daniel Zhang takes over • This could maintain *Alibaba*'s culture which is an important factor when managing change • Managing a change in leadership with succession planning could reduce the risk for *Alibaba* because they have personnel already in place to run the business • However, succession planning relies on nurturing an existing member of the company to become the CEO • Not all employees want to take on such as role, especially in such as huge business like *Alibaba* • Daniel Zhang may already be familiar with the culture of *Alibaba* but this does not guarantee that there will be smooth transition or that the business will not face any risks • There are many other factors which will affect *Alibaba* in the future • Extract G states that there is some uncertainty with regards to the current China-US trade war which might badly affect the company despite succession planning • No amount of succession planning can reduce all the risks a business faces. • There are other business tools such as SWOT analysis which might be more useful in reducing risk for *Alibaba* • Having a succession plan may help to reduce risk but cannot completely eliminate all the external risks including natural disasters or IT failures

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Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.