GradeMax



Mark Scheme (Results)

October 2020

Pearson Edexcel International Advanced Level
In Business (WBS13/01)
Unit 3: Business Decisions and Strategy

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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.

Question Number	Answer	Mark
1 (a)	**Knowledge 1, Application 2, Analysis 1** **Knowledge** 1 mark for identifying one aim, eg: • Identifies new product areas to be targeted/identifies products which need to be withdrawn from the market **(1)** **Application** Up to 2 marks for contextualised answers, eg: • *Kellogg'*s has a large portfolio with over 1,600 products **(1)** • *Kellogg'*s operate in different market sectors including breakfast and snack markets **(1)** **Analysis** 1 mark for developing the reason, eg: • *Kellogg'*s will be able to make strategic decisions as to which products need support/which food areas need innovation or new products **(1)**	**(4)**

Question Number	Answer	Mark
1 (b)	**Knowledge 1, Application 2, Analysis 1** **Quantitative skills assessed:** **QS2:** calculate, use and understand percentages and percentage changes. **Knowledge** 1 mark for knowledge and understanding of how to calculate a percentage: Revenue of Europe x 100 **(1)** Total Revenue **Application** Up to 2 marks for correct application of figures to formula: $2 291m **(1)** x 100 $12 923m **(1)** **Analysis** 1 mark for showing correct answer: 17.73% (to 2 decimal places) **(1)**. **NB: if no working is shown award marks as below:** • If the answer is 17.73% award 4 marks • If the answer is 17.73 award 3 marks	**(4)**

Question Number	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. **Knowledge, Application, Analysis, Evaluation – indicative content** • The summer hours scheme is a non-financial human resource initiative aimed at the office-based employees • This scheme may reduce labour turnover and improve employee retention as employees feel that *Kellogg's* helps to support their work-life balance • Consequently, productivity may increase for *Kellogg's* in the long term as Sue Platt quotes an improvement of 21% in productivity • Employees may see an increase in motivation and thus improve customer service/quality within *Kellogg's* • Long term this could result in *Kellogg's* being more competitive in the market due to lower labour costs compared to rivals who do not offer such a scheme • However, employees still have to complete a full week's work in order to leave early on a Friday • This may put additional pressure on employees to finish work quickly which could reduce quality and will make employees work longer hours from Monday to Thursday • Not all employees are motivated this way and some employees may work harder if they receive a financial reward rather than flexible working

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 Number	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** • Extract A states that *Kellogg's* vision is to enrich and delight the world through food and brands that matter and has a strategy of being the best provider of breakfast products • Therefore reducing sugar could have a positive impact on *Kellogg's* corporate strategy as they will be helping the UK Government to reduce sugar by 20% in breakfast cereals • It may not have much of an impact as *Kellogg's* has already started to adapt its cereals with the new Coco Pops recipe • Having to redevelop breakfast cereals to its existing customer base may be an example of Ansoff's product development • *Kellogg's* has already done this successfully with Coco Pops well before the deadline which may give them a competitive advantage over other breakfast brands which have yet to adapt their breakfast cereals • However, any product redevelopment may add to R&D costs of new food products to ensure that they meet the UK Government's target thereby reducing profitability for *Kellogg's* • Cereal and snack account for 92% of its core products therefore requiring a huge investment in changing recipes to reduce sugar content • The reduction in sugar simply puts *Kellogg's* in the same situation as other food businesses, so they will have to deploy resources towards marketing and R&D to ensure all their food products contain less sugar by 2020 • Political influence is one of many external influences and may not have a significant impact on *Kellogg's* corporate strategy • Social change such as lifestyle changes in terms of healthy eating may have a larger impact on *Kellogg's* corporate strategy compared to political influences

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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 Number	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. **Quantitative skills assessed** **QS1:** calculate, use and understand ratios, averages and fractions **QS2:** calculate, use and understand percentages and percentage changes **QS9:** interpret, apply and analyse information in written, graphical and numerical forms. **Knowledge, Application, Analysis, Evaluation – indicative content** • Gross profit margin: 5 022/12 923 x 100 = 38.86% • Operating profit margin: 1 946/12 923 x 100 = 15.06% • Profit for the financial year margin: 1 269/12 923 x 100 = 9.82% • These ratio results indicate that *Kellogg's* had a successful financial year in 2017 • Extract A states that it has 3 main strategies including being the best for breakfast and to be a global provider of snacks and these figures help to support these aims • These results would enable *Kellogg's* to pursue its strategy of funding new acquisitions and launching new products outlined in Extract A • However, these are just for one year and historical data is needed to look at the long-term development/trends of *Kellogg's* to see if there have been any changes or improvements since 2016 • To gain a fuller financial picture, the statement of financial position would have also been useful to determine *Kellogg*'s liquidity and ROCE • It would be useful to compare these figures with other rivals, such as *Nestle*, to see if they have had a similar financial performance in 2017 • Both qualitative and quantitate information is needed if a true financial assessment is to be made of *Kellogg*'s in terms of its financial performance

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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 Number	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. **Knowledge, Application, Analysis, Evaluation – indicative content** • Porter suggested four 'generic business strategies' that could be adopted in order to gain competitive advantage • These strategies can help *Under Armour* develop an 'edge' and gain market share from competitors • Extract F indicates that *Under Armour* could try to gain a competitive advantage with the strategy of cost leadership by lowering costs in order to raise profit margins/market share with lower prices compared to *Adidas* or *Nike* • *Under Armour* has already cut costs by reducing the labour force and shutting unprofitable retail outlets which could give it a cost advantage over rival sportswear businesses • However, this strategy could result in a lower brand image for *Under Armour* if customers believe the lower prices mean lower quality • Reducing the number of retail outlets could also reduce sales if customers cannot access its products • Alternatively, *Under Armour* could look to differentiate its products and thereby charge a premium price in order to gain a competitive advantage • Extract G indicates that *Under Armour* has a USP in terms of its Recovery range, which features infra-red technology • This could make its products more attractive and distinct from *Adidas* and *Nike* that still focus on preparation and performance • It has a new approach to trading by trading in customer groups, rather than regions which differentiates it from other traditional sportswear retailers • *Under Armour* focus on its relationships with its customers as its mission statement is all focused on improving its customers' experience (Extract G) • However, differentiation is costly in terms of R&D and the marketing strategy needs to successfully communicate the USP to customers if it is to gain market share over rivals and create brand loyalty • *Under Armour* needs to decide whether it wants to focus on broader but higher cost strategy compared to broader but lower cost target market

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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 cause(s) and/or consequence(s)/effect(s) 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 cause(s) and/or consequence(s)/effect(s) 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(s) 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 recommendation(s).

Question Number	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. **Quantitative skill assessed** **QS8:** use and interpret quantitative and non-quantitative information in order to make decisions. **Knowledge, Application, Analysis, Evaluation – indicative content** • Long-term loans are a method of finance, usually from a bank. Interest must be paid back • Long-term loans will give *Netflix* the sufficient capital ($8bn) it needs to develop original content as well as increase its investment in local content to complement its English-language programming • It will also invest around $1.3bn in technology and development • The revenue and profit for the financial year are strong which should enable Netflix to repay the long-term loans over time • *Netflix* would be able to repay the loans over a longer period of time compared to other methods of finance • The interest on business bank loans is tax-deductible • Fixed-rate loans, in which the interest rate does not change during the course of a loan makes it easy for *Netflix* to budget and plan for monthly loan payments. • However, as *Netflix* borrows more, its gearing ratio will increase: $\frac{12\ 058\ 336}{23\ 366\ 229} \times 100 = 51.6\%$ • This indicates that *Netflix* has an average gearing ratio and this is set to increase with a further $2bn of borrowing which may make it riskier • There is increased competition from *Apple* and *Amazon,* therefore makes it difficult for *Netflix* to gain more users and therefore make it difficult to replay the interest on the loan • It may encounter problems if the economy slows and sales revenue falls as interest repayments still need to be paid • Extract H does state that *Netflix*'s share price has increased by 73% in 2018 and this may be a less risky way to raise a large amount of capital • While share capital would dilute the ownership of *Netflix*, unlike debt funding, shareholder investment need not be repaid at a later date • The amount of capital that *Netflix* needs for expansion would necessitate a combination of methods and the company does use both methods of finance

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