GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International
Advanced Level

Centre Number | Candidate Number

Wednesday 13 January 2021

Morning (Time: 2 hours) | Paper Reference **WBS13/01**

Business

International Advanced Level
Unit 3: Business Decisions and Strategy

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Sections A, B and C.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

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SECTION A

Read Extracts A–D in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

1 (a) Explain **one** benefit of test marketing for *McDonald's*.

(4)

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(b) Using Extract B, calculate, to two decimal places, the mark-up on an *Impossible Foods* burger. You are advised to show your working.

(4)

(c) Discuss how the physical resources in *McDonald's* restaurants might be affected by the introduction of plant-based products.

(8)

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(d) Using Extracts A, B and C, assess the opportunities and threats for *McDonald's* of its strategic decision to develop plant-based fast food products in the US.

(12)

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(e) Assess the likely benefits for *McDonald's* of using critical path analysis (CPA) to help redesign its drive-throughs.

(12)

(Total for Question 1 = 40 marks)

TOTAL FOR SECTION A = 40 MARKS

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SECTION B

Read Extracts E and F in the Source Booklet before answering Question 2.

Write your answer in the space provided.

2 Evaluate the extent to which the transformative leadership of Dave Lewis was the main reason for *Tesco*'s improved financial position.

(20)

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

Read Extract G in the Source Booklet before answering Question 3.

Write your answer in the space provided.

Richer Sounds is giving employees shares in the business.

3 Evaluate the effectiveness of this strategy to increase productivity and employee retention for a business, such as *Richer Sounds*.

(20)

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

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Source Booklet

Do not return this Source Booklet with the question paper.

Turn over ▶

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Sources for use with Section A

Extract A

McDonald's introducing plant-based products

McDonald's is finally introducing plant-based products produced by *Beyond Meat*. *McDonald's* will sell what it calls the PLT, which stands for plant, lettuce and tomato, for 12 weeks starting September 2019 in 28 restaurants throughout Canada.

"As customer interest in plant-based products accelerated rapidly, our curiosity also increased too. We have been observing this emerging trend, and now we are ready to learn more by running a test in one of our markets. We are in learning mode," said Ann Wahlgren, Vice President of Global Menu Strategy at *McDonald's*.

Plant-based meat substitute products have increased in popularity, with start-up companies such as *Beyond Meat* and *Impossible Foods* selling pea or soy-based burgers that copy the taste and texture of meat.

It is not *McDonald's* first experience of using plant-based meat substitutes. In April 2019, it launched a soy and wheat burger, called the 'Big Vegan' in Germany, one of *McDonald's* biggest international markets. It offers vegan* items in Sweden and Finland.

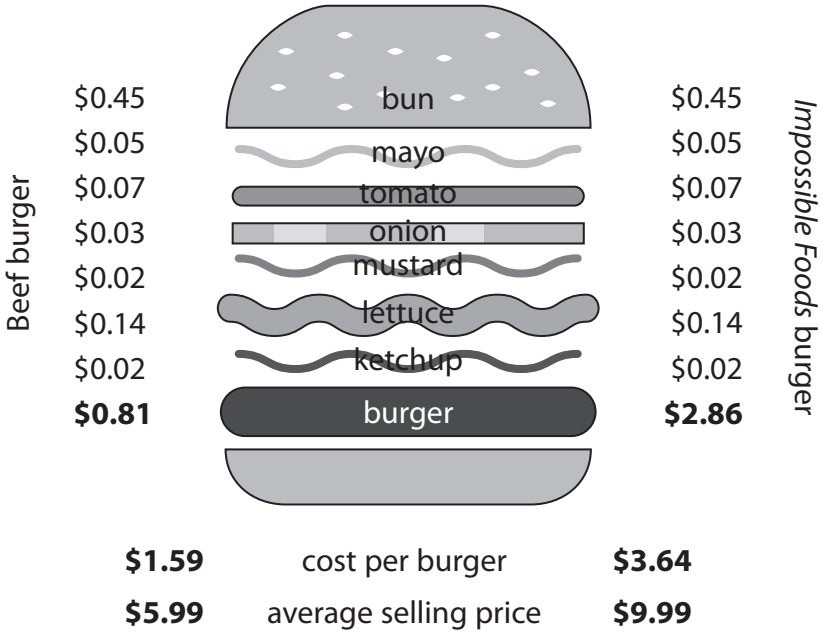
New test marketing in North America suggests *McDonald's* could soon introduce meatless burgers to all its restaurants. Other fast food chains that have already put plant-based products on their menus in 2019 include *Burger King*, *Kentucky Fried Chicken* and *Tim Horton's*.

* vegan: a product that does not contain any animal ingredients or animal-derived ingredients.

Extract B

Cost of making a beef burger versus plant-based *Impossible Foods* burger

Plant-based burgers more costly to produce than beef burgers

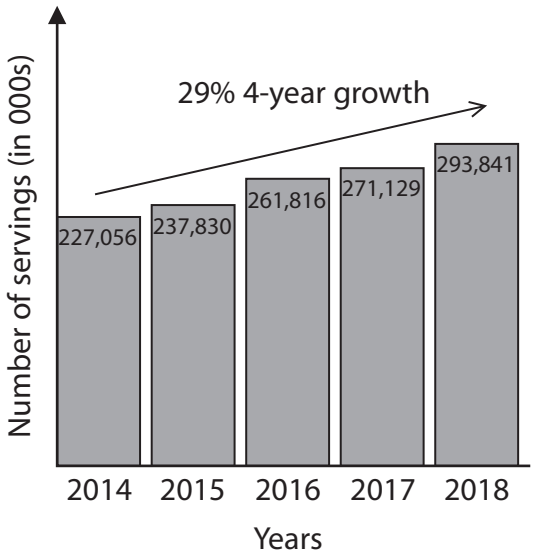


$1.59	cost per burger	**$3.64**
$5.99	average selling price	**$9.99**

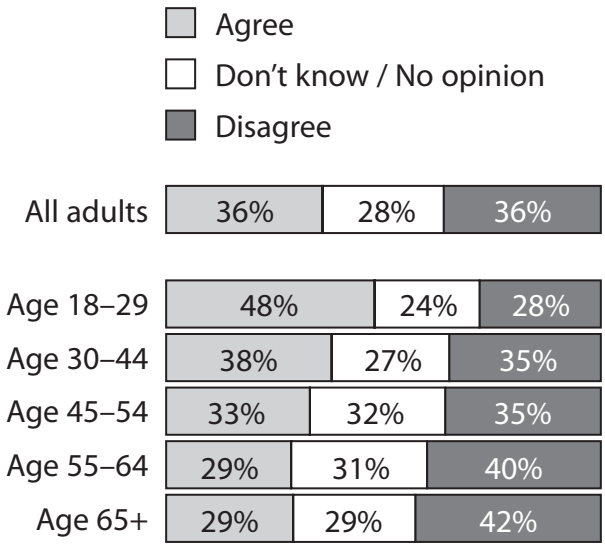
Extract C

Selected data on changing tastes for fast food in North America

Servings of meatless burgers and sandwiches at fast food restaurants (in 000s) 2014–2018



Percentage of people surveyed who want fast food restaurants to offer more vegetarian* and vegan options**



Gallup survey showing percentage of Americans who consider themselves to be vegetarian* or vegan**:

	1999	2001	2012	2018
Vegetarian	5%	5%	6%	6%
Vegan	–	–	2%	3%

*vegetarian: a person who does not eat fish, meat or chicken
** vegan: a person who does not eat or use animal products

Extract D

***McDonald's* Bigger, Bolder Vision 2020 growth plan**

McDonald's drive-through waiting times keep getting longer and longer. The average time to go through a drive-through at *McDonald's* was 273 seconds, an increase of almost 11 seconds on the previous year. With 70% of orders coming through drive-throughs, it is easy to see why *McDonald's* would want to make the experience a faster one.

McDonald's is investing millions of dollars to reverse this trend. As part of its growth plan *McDonald's* is going to use artificial intelligence technology and redesign its drive-throughs. This technology will be used in its 8,000 drive-throughs in the US to speed up delivery. The company is planning on introducing this technology to international markets in 2020. At the same time, *McDonald's* will redesign all single lane drive-throughs so that a second lane is added to meet demand during peak times.

Sources for use with Section B

Extract E

Transforming *Tesco*

In the autumn of 2014 *Tesco* was in a crisis. The retail giant had lost market share to *Aldi* and *Lidl* and its customers were dissatisfied. The new CEO, Dave Lewis, completely changed the way things were done at *Tesco*. His immediate task was one of increasing profits rather than sales. He cut back on non-core loss-making activities such as garden centres and online streaming services. He updated all *Tesco*'s own brand products.

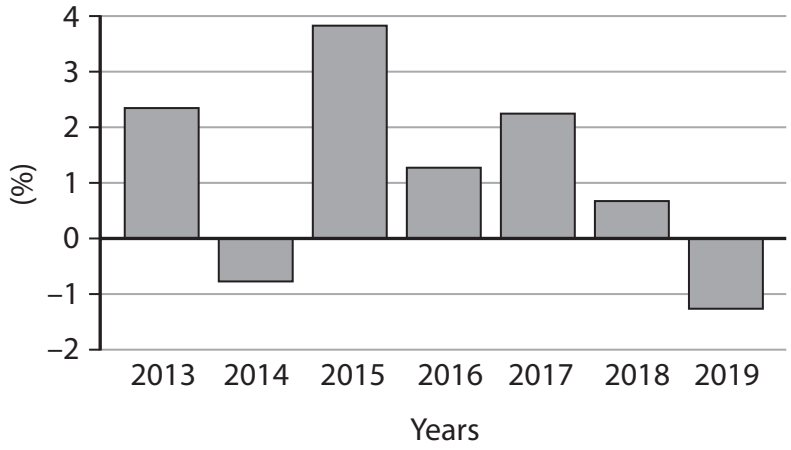
Fast forward to 2019; the business was again growing with its sustainable growth plan. Profits were rising with margins reaching 3.7% and cost savings of £1.6bn. The £22bn of debt Dave Lewis took on had almost halved. *Tesco* is expected to make a £2bn profit in 2019 compared to a £6.4bn loss in 2015.

"The *Tesco* brand is stronger and customer satisfaction is the highest it has been for many years", said Dave Lewis as he announced he was resigning as CEO in September 2019. He had done what he had set out to do.

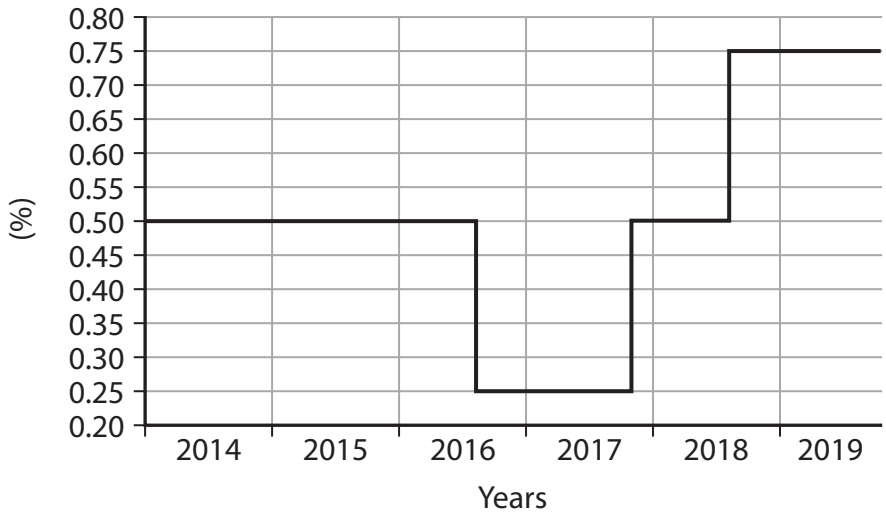
Extract F

Selected UK data

The annual percentage change in UK retail sales 2013–2019



Bank of England interest rates (%) 2014–2019



Source for use with Section C

Extract G

***Richer Sounds* founder hands over shares in the business to employees**

Julian Richer founded *Richer Sounds*, an electronics retail business. Julian Richer set up the company when he was 19 and it now has more than 500 employees. He recently announced that he would put 60% of *Richer Sounds*' shares into an Employee Ownership Trust to mark his 60th birthday.

He said: "Having reached the age of 60 in March, I felt the time was right to ensure that the transition goes smoothly and I can be part of it. I still really care about the business but it is time for the next generation."

Each employee will receive shares and £1 000 for every year they have worked at *Richer Sounds*, which will mean an average payout of £8 000. A number of employees will receive more: one has worked there for more than 40 years, while 39 employees have been at *Richer Sounds* for more than 20 years. Julian Richer said the Trust would operate according to a set of principles to ensure it sticks to the values set by him. The company will set up an employee advisory council to represent the interests of employees.

Key Performance Indicators for *Richer Sounds*

	2018	2017	2016
Turnover	£188 992 196	£187 062 984	£185 743 213
Gross profit margin	25.4%	25.2%	24.5%
Net profit margin	6.2%	6.8%	5.9%
Profit per employee	£19 690	£21 187	£17 979
ROCE	33.6%	44.89%	52.1%
Earnings per share (pence)	193.75p	210.6p	182.66p

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Acknowledgements

Extract A adapted from: https://www.cbsnews.com/news/mcdonalds-plant-based-burger-testing-plt-beyond-meat-sandwich-canada-2019-09-26/

Extract C adapted from: https://morningconsult.com/2019/05/15/fast-food-restaurants-look-to-turn-plant-based-burgers-into-cash-cows/ and https://news.gallup.com/poll/238328/snapshot-few-americans-vegetarian-vegan.aspx

Extract D adapted from: https://www.businessinsider.com/mcdonalds-spending-millions-on-drive-thru-2019-10?r=US&IR=T

Extract E adapted from: 'Tesco could have gone under': how Dave Lewis saved the firm from disaster By Zoe Wood © The Guardian, 5 October 2019 and Dave Lewis declares 'mission accomplished' at Tesco By Jonathan Eley © Financial Times, 02 October 2019

Extract F adapted from: https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp

Extract G adapted from: Richer Sounds founder hands over stake in company to employees By Jo Faragher © Personnel Today, 15 May 2019 and https://beta.companieshouse.gov.uk/company/01402643/filing-history