

Mark Scheme (Results)

October 2023

Pearson Edexcel International A-Level
In Business (WBS14)
Unit 4: Global Business

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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	Explain one disadvantage for a business of operating in a saturated market. (4) **Answer**	Mark
1(a)	**Knowledge 1, Application 2, Analysis 1** **Knowledge** 1 mark for identifying a **disadvantage**, e.g.: • High level of competition **(1)** **Application** Up to 2 marks for contextualised answers, e.g.: • Over a dozen companies are competing for streaming business **(1)** • *Netflix* has lost 1.2 million subscribers in the first nine months of 2022 **(1)** **Analysis** 1 mark for developing the disadvantage, e.g.: • In order to increase sales or prevent loss of existing customers price may have to be reduced and/or increased spending on promotion. Both reduce profitability **(1)**	**(4)**

Question Number	Using Extract A calculate, to two decimal places, the percentage decrease in *Netflix* subscribers in 2022. (4) Answer	Mark
1(b)	Knowledge 1, Application 2, Analysis 1 QS2 Calculate, use and understand percentages and percentage changes Knowledge 1 mark for identifying any suitable formula eg: • Decrease in customers / Original number of customers x 100 (1) Application Up to 2 marks for selecting the correct data: • 1.2 million **(1)** 221.6 million (1) Analysis 1 mark for calculating the percentage decrease in *Netflix* subscribers • 0.54% (1) A decrease is by definition a minus number so no symbol needed NB: If no working is shown, award marks as follows: If the answer given is 0.54%, award 4 marks If the answer given is 0.54, award 3 marks	(4)

Question	Discuss the benefits of a merger for a business such as *HBO* in a saturated market. (8) **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** • A merger means two or more firms join together and act as one, usually by mutual agreement • In a saturated market competition is high and can be expensive, as promotion and innovation are needed to maintain customers • Expansion is difficult as most customers are already catered for. New customers may only be possible by taking away custom from rivals • A merger at one stroke reduces competition • The new larger business such as *HBO* and *Discovery+* may benefit from economies of scale • Some resources will be duplicated and money saved by rationalisation • Synergy may happen as the two businesses have complementary assets or strengths • In short, the merged business is more likely to survive and be a stronger presence in the market • However, many mergers fail to deliver anticipated benefits • There may be a corporate culture clash with disagreements • The merger may still not be big enough to survive. *HBO* and *Discovery+* combined will still have less than half the number of *Netflix* subscribers

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	Assess the advantages of outsourcing for a business wanting to improve cost competitiveness. (12) **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** • Outsourcing means moving a business function or department to a specialist external provider which may or may not be overseas • By reducing costs, profitability can be increased which may enable prices to be reduced and improve competitiveness • Increased profitability can lead to greater investment for future growth • Skilled workers can be found that may not be available at home, this is the case with Australia in Extract B • Such workers may be specialists and offer a more skilled and efficient service than might be case within the business itself • By outsourcing some support functions, the business can then concentrate on its core competences • Outsourcing can improve speed, flexibility and quality of the product or service • Modern technology has made it much easier for a business to be run from different countries • However, problems may arise • There may be communication problems arising as a result of language or cultural differences • It can be difficult to oversee events or guarantee quality of output from a distance • There may be a risk of loss of intellectual property • A business may risk losing its own identity and corporate culture if it relies too much on others • Nevertheless, the extract suggests outsourcing will work if done well

Level	Mark	Descriptor
	0	A completely inaccurate response.
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	Assess the importance of the likely return on investment for a business when choosing a production location. (12) **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** • Return on investment refers to the financial benefits or profits made from an investment, such as setting up a production location in another country • This may be important if satisfying investors or shareholders is a priority and may determine the location of production if one country offers a higher return on investment than another • Extract C looks at Malaysia and reports that the return on investment has increased in 2021 • It has increased from RM0.06 to RM0.13 (from 6% to 13%) which is more than double • This may be why FDI in Malaysia increased to RM48.1 billion in 2021 suggesting that for many businesses, particularly those from Singapore, Korea and Japan, where the return on investment is very important • However, other factors may be more important to some businesses • Those in extractive industries will locate where there are natural resources • Others may want to minimise costs by searching for cheap labour or require a particular kind of skilled labour • A stable political environment and ease of doing business may be more suited for those businesses looking to set up quickly and with minimum interference • Being able to manufacture from within a trade bloc such as the EU may be more important • These factors may outweigh or override return on investment as a deciding factor • Much depends on the nature of the business and its needs

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Question	Evaluate the importance of business ethics for a global business. (20) **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 • Business ethics refer to the principles and acceptable behaviours that govern the ways in which a business operates, they are considered to be the 'right thing to do' • This of course, varies from country to country depending upon the legal framework and the cultural norms of society • In Extract D, a survey reports that 90% of global consumers are seeking out more sustainable and ethical options • This could mean that those businesses that actively pursue and promote a more sustainable and ethical policy in their operations are likely to attract those consumers • By doing so they will increase sales and market share which may lead to increasing profits • *Patagonia* and *Tom's shoes* are seen as examples of truly ethical businesses. Extract D uses the example of *Zara* and *H&M* as businesses becoming more sustainable • The opposite may also hold true. Failure to show ethical behaviour may lead to a loss of sales as ethical consumers buy elsewhere to show their displeasure • *Starbucks* was forced to become more ethical after consumer protests about its alleged underpayment of tax • Pressure groups such as ethicalconsumer.org aim to inform and persuade shoppers towards more ethical buying • It would, therefore, seem important that global businesses adopt a more sustainable and ethical approach either for purely practical reasons or for altruistic ones as well • However, Extract D suggests that in reality, many consumers are not too concerned over ethical issues • Low prices are the most important factor for many customers, either from necessity because of low incomes or from indifference • Some businesses with strong brand names seem resistant to criticism such as *Amazon*, which has been accused of tax-dodging and poor working conditions, *Primark* with the conditions in parts of their supply chain and *Apple* whose supplier *Foxconn* is dogged by controversy • Nearly all global businesses will have an ethical policy but the extent to which they adhere to it is open to question and for some such as *Shein* it is clearly not a major concern • The importance of ethical behaviour for a global business may depend on the market that it operates in and the attitudes of its potential customers

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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 causes 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	Evaluate the usefulness of Porter's matrix to a business considering entry into the Vietnamese cosmetics market. (20) **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** • Porter's matrix is used to identify the sources of competitive advantage that a business might achieve in a market • Porter identified three generic strategies that could be followed and said that without one of these a business would lose direction and be unlikely to succeed • These are Cost leadership, Differentiation and Focus (cost focus and differentiation focus) • The Vietnamese cosmetics market is changing and growing rapidly by an expected 15% to 20% annually • The market is 'highly price sensitive' at the moment, therefore a cost leadership approach may be a good strategy to follow • By concentrating on reducing costs, becoming as efficient as possible, looking for economies of scale and sourcing the cheapest inputs, it may be possible to reduce prices and gain a competitive advantage • This would help to gain entry into the market and may suit an already established global cosmetics company • A differentiation strategy means adding value in a way that will make it stand out from the competition • By doing so a premium price can be charged and lead to greater profitability • A foreign brand is perceived to be of higher quality by many Vietnamese consumers already, so this could be a source of differentiation for a global business • A focus strategy targets a narrow part of the market either by focusing on cost for a limited range of cosmetics or by differentiating in some way • There is said to be 'immense growth potential' for natural cosmetics and this may be a good area to focus strategy on • However, Porter's matrix is a fairly simple way of identifying a strategy • The Vietnamese cosmetics market is changing rapidly and a strategy that works now may not be the best in the near future • It does not take into account the state of the market in terms of competition now or in the future, Porter's five forces may be better at analysing that • It does not take into account external factors, SWOT or PESTLE analysis may be more helpful here • In short, Porter's matrix will be of limited usefulness but may be a good starting point as long as it is backed up with other analytical tools and some accurate market research

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