GradeMax



Mark Scheme (Results)
January 2024

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

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

January 2024
Question Paper Log Number P73479A
Publications Code WBS13_01_MS_2401
All the material in this publication is copyright
© Pearson Education Ltd 2024

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** benefit to *Patagonia* of having a mission statement. **Answer**	Mark
1(a)	**Knowledge 1, Application 2, Analysis 1** **Knowledge** 1 mark for identifying a benefit e.g.: • To attract/retain employees **(1)** **Application** Up to 2 marks for contextualised answers, e.g.: • The mission statement communicates a higher purpose beyond just making profits **(1)** • *Patagonia* is passionate about sustainability/environment **(1)** **Analysis** 1 mark for developing the benefit, e.g.: • The mission statement can create a strong sense of community and shared purpose that can enhance employee engagement, satisfaction and loyalty **(1)**	**(4)**

Question	Using the data in Extract B, calculate to two decimal places, the three year moving average for the percentage of recycled material used in clothing by *Patagonia* in 2021. You are advised to show your working. **Answer**	Mark
1(b)	**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 3 year moving average: 3 year moving average = $\frac{\text{3 year total}}{3}$ **(1)** **OR** 3 year moving average = $\frac{2020 + 2021 + 2022}{3}$ **Application** Up to 2 marks for correct application of figures to formula: $\frac{(65 + 66 + 72)}{3} = \frac{203}{3}$ **(1)** **(1)** **Analysis** 1 mark for showing correct answer: 67.67% **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 67.67% award 4 marks • If the answer given is 67.67 award 3 marks	**(4)**

Question	Using Extract C, discuss the threat to *Patagonia* from new entrants into the outdoor clothing market. **Answer**	
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. **QS: QS8, QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • The threat of new entrants is one of Porter's five forces and it looks at how easy it is for a new business to enter a market • The outdoor clothing market is a highly competitive industry with many established brands such as *Patagonia, Columbia Sportswear* and *The North Face* • *Patagonia*'s commitment to sustainability and ethical business practices could help to differentiate it from new competitors and maintain its position in the market • *Patagonia* has a strong brand reputation and has been in the industry for over 50 years with an extensive supply chain • This creates some barriers to entry for new companies trying to enter the outdoor clothing market • However, Extract C shows the outdoor clothing market is still growing due to many more people participating in physical activities • The market value is set to increase to $45.2bn by 2027 which could attract new entrants to the market in order to seek profits • New competitors may enter the outdoor clothing market with innovative clothing products or lower prices which could impact *Patagonia*'s market share	
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 importance of transformative leadership to *Patagonia*'s long term success. **Answer**
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. **QS: QS8 and QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Transformative leadership is a leadership style that aims to inspire and empower others to achieve their full potential and bring about positive change • *Patagonia*'s founder, Yvon Chouinard, has been an advocate for environmental causes for decades • His personal values have strongly influenced *Patagonia*'s approach to sustainability and social responsibility • Chouinard's leadership style has ensured that sustainability and social responsibility are not just an add-on but are central to the *Patagonia*'s mission statement and identity • This leadership style can help build a stronger connection between *Patagonia* and its customers resulting in loyal customers • This could lead to increased revenue over time as customers continue to choose *Patagonia* over other brands • Transformative leadership can result in an increase in employee motivation • A transformative leader can inspire employees to work towards a common goal resulting in increased productivity, better customer service and improved product quality • However, the success of *Patagonia* is influenced by several factors, beyond just the leadership style of its executives • *Patagonia*'s brand reputation as an environmentally and socially responsible business could be a critical factor in its long term success • Customers who care about sustainability and ethical production are more likely to choose *Patagonia* over other outdoor clothing brands rather than because of any leadership style • *Patagonia*'s supply chain transparency and how it treats it employees in its clothing factories could be the reason for its long term success • This could have resulted in an improvement in the quality of its clothing products, while also promoting social responsibility • There are many important factors which determine *Patagonia*'s long term success in the marketplace not just the leadership style used

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	3–4	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 impact of *Patagonia*'s commitment to the environment rather than its shareholders. **Answer**
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. **QS: QS8, QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • *Patagonia*'s commitment to the environment may have a positive impact on the environment with $100m per year being used to help tackle climate change • It has implemented various initiatives including using recycled materials in its clothing products and donating 1% of its sales to environmental causes which can help reduce the impact on the environment • *Patagonia*'s environmental focus has helped the business build a strong reputation for sustainability and ethical practices, which may attract customers who are willing to pay a premium for environmentally-friendly products • This may help the business build a loyal customer base that values the company's commitment to the environment which could help to increase *Patagonia*'s market share in the outdoor clothing market • *Patagonia*'s environmental initiatives could have generated positive publicity for the business, which has helped to raise *Patagonia*'s profile and build its reputation as a socially responsible business • Its commitment to the environment and ethical practices may help to create a positive work culture and attract and retain employees who share these values • However, there could be lower profits because *Patagonia*'s focus on the environment can sometimes lead to higher costs. For example, using more expensive environmentally-friendly materials such as organic cotton could reduce *Patagonia*'s profit margins • This could result in shareholder discontent because the shareholders may be primarily concerned with maximising profits and $100m is being given each year to tackle climate change instead of being used to pay dividends • *Patagonia*'s environmental focus may limit its ability to expand outdoor product offerings or enter new markets, as it may be difficult to maintain the same level of environmental sustainability while scaling up production • Given the growing importance of environmental sustainability and ethical business practices, *Patagonia*'s approach may become more common in the future • The impact of *Patagonia*'s environmental focus will depend on how it manages these challenges and continues to prioritise sustainability in its business operations

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	3–4	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	Evaluate the likely benefits of contingency planning for a business such as *IKEA.* **Answer**
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. **QS: QS8, QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • A contingency plan is an action plan that is used to respond to future events that might or might not affect a business in the future • A well-prepared contingency plan can help *IKEA* be more flexible in its approach to change management • With a contingency plan in place, *IKEA* can quickly respond to unexpected challenges and make necessary adjustments • For example, if *IKEA*'s supply chain is disrupted due to external factors, such as an energy crisis or global health crisis, *IKEA* can quickly find alternative suppliers to ensure that its furniture operations continue • This may ensure that the change process is less disruptive and that *IKEA* can continue to operate smoothly • Contingency planning can improve decision-making at *IKEA* by providing a framework for evaluating different scenarios and potential outcomes helping it to make informed decisions in a timely manner • IT systems are critical to the operation of businesses such as *IKEA*. An unexpected system failure can cause significant disruption and loss of revenue therefore contingency plans which include backup servers and alternative communication channels might help *IKEA* to ensure it can still operate • However, the contingency plan is only as good as the assumptions and data used to create it, and unexpected events may still occur that were not anticipated • Even with contingency planning, *IKEA* was left with unsold inventory of furniture which it had to reduce the price to sell • Brodin states that *IKEA* is still uncertain about what will happen in 6-12 months indicating that even with contingency planning, all risks cannot be reduced • Creating, monitoring and implementing contingency plans can still be costly. For example, if *IKEA* is planning to open a new store, it may need to invest in additional resources, such as consultants or software, to create a contingency plan that could potentially offset the benefits of having the contingency plan • A contingency plan can sometimes create a false sense of security and lead to complacency among employees which can be dangerous if the plan is not regularly reviewed and updated, as it may not be effective in the face of new or unforeseen risks • Overall, contingency plans can help to reduce risks faced by businesses but cannot fully eliminate them due to there always being uncertainty in the economic environment

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect causes and/or consequences.
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	Using the data in Extracts G and H, evaluate *ASOS*' survival plan to improve its financial position. **Answer**
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. **QS: QS1, QS2 and QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Gross profit margin 2021: 1 776.4/3 910.5 x 100 = 45.43% • Gross profit margin 2022: 1 717.5/3 936.5 x 100 = 43.63% • Profit for the year margin 2021: 128.4/3 910.5 x 100 = 3.28% • Profit for the year margin 2022: (30.8)/3 936.5 x 100 =-0.78% • Current ratio 2021: 1 559.7/998.0 = 1.56 • Current ratio 2022: 1 554.0/1 040.0 = 1.49 • Acid test 2021: (1 559.7- 807.1)/998.0 = 0.75 • Acid test 2022: (1 554.0-1 078.4)/1 040.0 = 0.46 • Gearing ratio 2021: 852.5/1 886.5 x 100 = 45.19% • Gearing ratio 2022: 942.0/1 956.9 x 100 = 48.14% • A cost-cutting strategy could help *ASOS* to reduce its expenses and improve its gross and profit for the year margins which have both fallen between 2021 and 2022 • Constant discounts and promotions can erode brand value and result in customers waiting for sales before making a purchase • Therefore, by cutting back on the number of discounts and promotions, *ASOS* may be able to cultivate a more loyal customer base that is willing to pay full price for its products • *ASOS* has seen its inventory levels increase by 33.61% • Therefore by reducing the number of products it stocks and slowing investment in its robotic warehouses, *ASOS* can lower its inventory costs and help to reduce overhead expenses • This could help to improve its liquidity position which has deteriorated between 2021 and 2022. Lowering its level of inventory might help to improve its acid test ratio • By cutting back on the number of discounts and promotions, *ASOS* could avoid the erosion of its margin on products and therefore improve its profit margins • Cost-cutting could help *ASOS* to become more efficient and improve its operational effectiveness by focusing on its core competencies thereby reducing its overall financial risk • *ASOS* expects the clothing market to decline in the future therefore it is sensible to concentrate its resources on areas where it has a competitive advantage and create more value for its customers • *ASOS* has debts of £153m and its gearing ratio has increased therefore a reduction in costs could help to improve its financial position • However, cost-cutting also may limit *ASOS'* ability to invest in growth opportunities and innovation • By reducing its spending on new initiatives such as the robotic warehouses, *ASOS* may miss out on opportunities to expand into new markets or develop new products and services that could generate long term growth

	• *ASOS'* revenue may decrease in the short term as customers are less incentivised to purchase during non-promotional periods • This could result in a negative impact on its profit for the year margin which is already at -0.78% • By reducing the number of products it stocks and cutting back on promotions, *ASOS* may appear less attractive to customers who are looking for a wide selection of products and good deals • This could lead to a decline in sales and a loss of market share over time, worsening its financial position • Overall, while the survival plan can be a useful strategy for improving *ASOS'* current financial position in the short term, it should balance wider strategic aims and reflect the impact of external influences which affect its financial performance

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect causes and/or consequences.
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.