GradeMax



Mark Scheme (Results)

January 2025

Pearson Edexcel International A Level in Business (WBS13)
Paper 03: 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	Using Extract A, calculate to two decimal places, the gearing ratio for *Spotify* in September 2023. You are advised to show your working.	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 gearing ratio: $\frac{\text{Non-current liabilities}}{\text{Capital employed}} \times 100$ **(1)** **Application** Up to 2 marks for correct application of figures to formula: $\frac{€1\,752\text{m}\ \textbf{(1)}}{€3\,891\text{m}\ \textbf{(1)}} \times 100$ **Analysis** 1 mark for showing correct answer: 45.03% **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 45.03% award 4 marks • If the answer given is 45.03 award 3 marks	**(4)**

Question	Using the data in Extract B, calculate to two decimal places the income elasticity of demand (YED) for *Spotify* in 2023. You are advised to show your working.	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS2**: Calculate, use and understand percentages and percentage changes **QS7**: Interpret values of price and income elasticity of demand **Knowledge** 1 mark for knowledge and understanding of how to calculate YED: $\frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in income}}$ **(1)** **Application** Up to 2 marks for correct calculation of the figures: Percentage change in quantity demanded = 108-103/103 x 100 = 4.85% (2dp) **(1)** Percentage change in income = $69 372-$67 521/$67 521 x 100 = 2.74% (2dp) **(1)** **OR** Up to 2 marks for correct application of figures to YED formula: YED = $\frac{4.85\%}$ **(1)** 2.74% **(1)** **Analysis** 1 mark for showing correct answer: 1.77 **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 1.77 award 4 marks	**(4)**

Question	Using Extract C, discuss the possible usefulness for *Spotify* of using quantitative sales forecasting. **(8)** **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. **QS8:** Use and interpret quantitative and non-quantitative information in order to make decisions **QS9:** Interpret, apply and analyse information in written, graphical and numerical forms **Knowledge, Application, Analysis, Evaluation – indicative content** • Quantitative sales forecasting techniques involves making future predictions based on trends identified from past data • Extract C shows that the actual number of monthly premium subscribers was 2 million more than the forecast number • This suggests that quantitative sales forecasting can be used to predict customer demand for *Spotify*'s subscription service with a high degree of accuracy allowing *Spotify* to make relatively accurate projections • A reasonably accurate gross profit margin forecast demonstrates the method's reliability in estimating profitability, aiding in budgeting and financial planning for *Spotify* • Reliance on historical data and mathematical models can be cost-effective for *Spotify*, as it does not require extensive market research or subjective judgments • Quantitative techniques can help *Spotify* identify trends and patterns in historical data, which can be valuable for making informed decisions about resource allocation and market strategies • However, quantitative sales forecasting techniques often assume that historical trends will continue which may not always be the case due to unforeseen events or changes in the market environment, limiting usefulness • While monthly premium subscriber forecasts were relatively accurate, small discrepancies can still accumulate over time, potentially leading to differences in long-term planning • The technique may be less suitable for highly dynamic industries such as technology where external factors play a significant role in sales performance, as demonstrated by the substantial difference in operating profit (loss) forecasts • The use of mathematical models can be complex and may require skilled personnel, potentially leading to errors if not properly implemented

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 whether *Spotify* will be able to successfully compete against *Amazon*'s Audible in the audiobook market. **(12)** **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. **QS8:** Use and interpret quantitative and non-quantitative information in order to make decisions **QS9:** Interpret, apply and analyse information in written, graphical and numerical forms **Knowledge, Application, Analysis, Evaluation – indicative content** • A competitive environment is where businesses sell similar products or services and compete for market share and sales volume • *Spotify*'s significant user base of 226 million subscribers provides it with a potential entry advantage against *Amazon*'s Audible with a strong ready-made consumer base • A broad range of 150,000 audiobook titles could enhance *Spotify*'s competitiveness against *Amazon*'s Audible by offering more choices to consumers • Offering 15 hours of audiobooks at no extra cost may attract users and create a competitive pricing advantage by providing better value compared to *Amazon*'s Audible • Integrating audiobooks into *Spotify*'s streaming platform could make the user experience more convenient attracting customers from *Amazon*'s Audible • The market is set to increase to $4bn in 2021 to more than $9bn by 2026 allowing more entrants into the marketplace • However, *Amazon*'s Audible has a dominant market share with two-thirds of the global audiobook market creating a highly competitive marketplace • *Amazon*'s Audible strong brand and marketing presence in the audiobook market may make it challenging for *Spotify* to gain market share and recognition • *Amazon*'s Audible may have a loyal user base that may be resistant to switching to a new platform • This could make it very difficult for *Spotify* to compete in the audiobook market against *Amazon*'s Audible • *Spotify* may have limited experience and knowledge of this new product area • *Spotify* has already failed with its investment into podcasts demonstrating that perhaps its strengths lie within the streaming market

	• The outcome will depend on *Spotify*'s ability to effectively navigate these challenges, innovate, provide a value service and attract and retain users in a highly competitive and rapidly growing audiobook market

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 knowledge and understanding, supported 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 effect on *Spotify*'s external stakeholders of the decision to increase its subscription prices. **(12)** **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. **QS8:** Use and interpret quantitative and non-quantitative information in order to make decisions **QS9:** Interpret, apply and analyse information in written, graphical and numerical forms **Knowledge, Application, Analysis, Evaluation – indicative content** • Stakeholders are individuals or groups who have a direct interest, involvement or influence in the operations, decisions and outcomes of a business • External stakeholders include customers, suppliers, competitors, local community and the government • The price increase is expected to generate an additional $1bn in revenue for *Spotify* in its first year • Therefore, higher subscription prices can potentially lead to increased artist payouts benefiting artists and content creators who rely on streaming revenue • Adjusting prices can help *Spotify* remain competitive, potentially attracting more users and expanding the market, which benefits artists and record labels by reaching a broader audience • Additional revenue from price increases can be invested in content quality, enhancing the consumer experience • *Spotify* could use the additional revenue to introduce new features and products such as improved audio quality, personalised recommendations, and exclusive content for consumers • *Spotify* aims to continue delivering value to both fans and artists on its platform and the increased revenue may support this goal, benefiting all external stakeholders • By addressing the concerns raised by artists and record labels, *Spotify*'s decision to increase prices may contribute to the long-term sustainability of the music industry in general • However, subscribers may be dissatisfied with the price increase, potentially leading to subscription cancellations, negatively affecting artists' income and record labels • Concerns about AI-generated music may persist, impacting the demand for traditional musicians and artists, affecting their income

	• The price rise is a test of consumers' willingness to pay more and if it fails, it could lead to uncertainty in the music streaming market, affecting artists, labels and consumers • If the price rise results in users switching to alternative streaming platforms, it may further solidify the dominance of a few major players like *Spotify* and *Apple Music* limiting the opportunities for artists and labels to diversify and reducing choice for consumers • The ultimate impact of this price increase on external stakeholders will depend on how well *Spotify* manages these challenges and opportunities, as well as how consumers and the music industry respond to the changes

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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 knowledge and understanding, supported 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	Using PESTLE analysis, evaluate the extent to which legal factors are the most important influence on the success of *Dyson.* **(20)** **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** • Legal factors are part of the PESTLE framework for looking at external influences on a business • Success in legal battles ensures that *Dyson* can safeguard its innovative products which are key to its success in the market • *Dyson*'s legal action aimed at blocking the sales of *SharkNinja*'s products in the UK shows the importance of legal factors in managing competition • By enforcing its intellectual property rights *Dyson* can maintain its competitive edge and market share • The fact that *Dyson* and *SharkNinja* are involved in legal disputes not only in the UK but also in the US, Germany and France shows the global scope of legal factors • For a company like *Dyson* which operates internationally, the legal framework and outcomes in various countries can significantly impact its global success • *Dyson* is pursuing a claim valued at over £10m indicating that *Dyson* is willing to invest substantial financial resources to protect its interests • Legal disputes can affect how consumers perceive a company and *Dyson*'s commitment to protecting its innovations through legal means can enhance its brand reputation resulting in consumer trust and loyalty • This historical context suggests that legal factors have been an ongoing factor in *Dyson*'s business strategy and are integral to the company's past and future success in the highly competitive consumer products industry • However, engaging in legal disputes can be costly and time-consuming, potentially diverting resources and management focus away from core business activities • The opportunity cost of legal actions could outweigh the potential benefits of protecting intellectual property for *Dyson*

	• Political stability and policies related to trade, taxation and business regulation can significantly affect *Dyson*'s global operations and supply chain more than legal factors • Economic conditions and market demand may have a more immediate and direct impact on *Dyson*'s success • Economic downturns, changes in consumer spending or fluctuations in currency exchange rates can have a more immediate effect on *Dyson*'s financial performance and therefore success • Social trends and changes in consumer preferences and lifestyle can drive or inhibit demand for *Dyson*'s products so responding to these social factors might be as important, if not more so, than legal factors in the consumer goods market • *Dyson*'s success is heavily dependent on its ability to innovate technologically therefore staying at the forefront of technological advancements such as developing cutting-edge vacuum cleaners or hair stylers, is arguably more critical than legal issues • *Dyson*'s success may be more influenced by its ability to create environmentally friendly products and adapt to changing environmental regulations than by legal factors • Overall, *Dyson's* success will be influenced by a wide range of external influences and all will contribute to its success in the future

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	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 knowledge and understanding, supported 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	Evaluate the effect on employee retention if *JLP* does not pay a bonus to its employees in 2023. **(20)** **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: QS8 and QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Financial rewards include piecework, commission, bonuses, profit sharing and performance related pay • The decision not to pay bonuses supports *JLP*'s strategy of prioritising investments in the business • Not paying a bonus is likely to have a negative impact on employee retention at *JLP* • Bonuses are a valuable part of many employees' remuneration packages and they can play a significant role in attracting and retaining top talent • This is supported by FW Taylor who believed that money was a primary motivator for workers • When employees do not receive a bonus, they may feel undervalued and unappreciated, and this could result in poor customer service in the department stores • It can make existing employees more likely to look for jobs elsewhere, especially if they are able to find a job that offers a bonus • *JLP* is a major competitor in the retail industry and many of its competitors offer bonuses to their employees • If *JLP* does not pay a bonus it may be at a disadvantage in attracting and retaining top talent • However, employees may be more willing to understand and accept the decision if they are aware of the company's financial situation and this has been communicated to the employees • *JLP* is currently experiencing financial difficulties so employees may be willing to make sacrifices such as not receiving a bonus to help the business recover in the longer term • Employees may be more motivated by other factors such as job security, career development opportunities, flexible working and a positive work environment as supported by Mayo and Herzberg • *JLP* already offers employees other valuable benefits, therefore they may be less concerned about not receiving a bonus

	• Employees are more likely to stay with *JLP* if they are satisfied with their job, their salary and their benefits • If *JLP* can offer employees all of these things, they may be able to retain employees even without paying a bonus • Bonuses have been as high as £89.4m in previous years which might encourage existing employees to remain at *JLP* • Overall, not paying a bonus will help to ensure that the company is in a strong position to invest in its future and protect jobs in the long term which can ultimately benefit employees by securing their jobs and the sustainability of the business for future bonuses

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