GradeMax



Mark Scheme (Results)

Pearson Edexcel International Advanced Level In Business (WBS13)
Paper 01: Business decisions and strategy

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Summer 2025
Question Paper Log Number P78806A
Publications Code WBS13_01_2506_MS
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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** advantage of a decentralised organisational structure for *LVMH*.	Mark
1(a)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS9** Interpret, apply and analyse information in written, graphical and numerical forms **Knowledge** 1 mark for identifying an advantage e.g.: • Can be more responsive to market changes **(1)** **Application** Up to 2 marks for contextualised answers, e.g.: • It has around 60 businesses that manage 75 prestigious brands **(1)** • There are six separate business divisions **(1)** **Analysis** 1 mark for developing the advantage, e.g.: • This autonomy enables *LVMH* to adapt quickly to changing consumer preferences/global trends without waiting for central approval **(1)**	**(4)**

Question	Using the data in Extract B, calculate, to **two** decimal places, the percentage change in total revenue for *LVMH* between 2022 and 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 **Knowledge** 1 mark for knowledge and understanding of how to calculate percentage change: $\frac{\text{New – Original}}{\text{Original}}$ x 100 **(1)** **Application** Up to 2 marks for correct application of figures to formula: $\frac{€86\,153m - €79\,184m}{€79\,184m}$ **(1)** **(1)** x 100 **OR** $\frac{€6\,969m}{€79\,184m}$ **(1)** **(1)** x100 **Analysis** 1 mark for showing correct answer: 8.80% **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 8.80% award 4 marks • If the answer given is 8.80 award 3 marks	**(4)**

Question	*LVMH* manufactures in France and Italy, which both use the euro as their currency. Using Extract C, discuss the possible effects on *LVMH* of changes in the euro exchange rate. **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** • *LVMH*'s revenue comes from a range of regions with the Rest of Asia accounting for the largest amount of revenue at 31% • This means that *LVMH* will have to use a range of currencies when it is exporting and importing to and from countries outside of France where it is located • Exchange rate changes could alter *LVMH*'s competitive position in international markets, making its luxury products more or less expensive relative to local and international competitors • For example, a stronger euro against the dollar or Asian currencies could make *LVMH*'s luxury products more expensive in these vital markets, potentially reducing demand • Costs of importing goods or raw materials to make its luxury products might rise or fall, affecting overall profitability depending on currency fluctuations • Volatile exchange rates can influence strategic decisions such as pricing strategies, market entry or expansion and sourcing • However, *LVMH*'s broad geographic spread offers some protection as losses in one region could be offset by gains in another due to currency fluctuations • The presence of production facilities in France and Italy, significant markets for *LVMH*, could mitigate some impacts of currency volatility on production costs • Demand for *LVMH*'s luxury goods due to exchange rate fluctuations may not be affected if demand for its goods is price inelastic • It depends on how much *LVMH* import and export as to the overall impact

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 possible financial risks to *LVMH* of purchasing Tiffany & Co in 2021. **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** • The substantial outlay of $16.1bn could burden *LVMH* with debt or deplete cash reserves, affecting financial health and flexibility • Merging Tiffany & Co's operations with *LVMH* could face difficulties from cultural differences to logistical challenges • This could impact efficiency and morale of employees resulting in diseconomies of scale • Economic fluctuations in the luxury jewellery market could undermine Tiffany & Co's profitability, making the investment riskier than anticipated • Managing a broader portfolio increases complexity, potentially straining *LVMH*'s resources and diluting focus on its core brand strengths • Expanding too quickly into diverse luxury sectors could risk diluting *LVMH*'s overarching brand identity, eroding its luxury exclusivity • However, access to Tiffany & Co's established US customer base could accelerate *LVMH*'s market penetration and brand recognition in a lucrative market • Tiffany & Co enriches *LVMH*'s watches and jewellery division with a renowned high-priced jewellery brand, enhancing its luxury segment with wider variety and appeal • Tiffany & Co's strong brand and loyal customer base present significant opportunities for revenue growth through increased sales and market share in the high-priced jewellery sector • The brand value since *LVMH* has taken over Tiffany & Co has increased from $5 458m in 2021 to $7 031m in 2023 indicating this was a successful acquisition by *LVMH* • The acquisition allows for operational synergies between Tiffany & Co and other *LVMH* jewellery brands, potentially reducing costs and exploiting marketing opportunities • Tiffany & Co's iconic status boosts *LVMH*'s global prestige, potentially attracting new customers and reinforcing its position as a leader in luxury goods • Revenue for the Watches and Jewellery division has increased between 2022 and 2023 indicating the financial rewards outweighed the financial risks of the acquisition

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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	Arnault's five children are being prepared to manage the business when he retires. Assess the benefits of implementing a succession plan at *LVMH*. **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** • Succession planning is a strategic process used by organisations to identify and develop new leaders who can replace old leaders when they leave, retire or die • All of Bernard Arnault's five children work at *LVMH* which gives them an insight into how the business operates and its strategic direction • Alexandre and Frédéric's current roles within *LVMH* equip them with a unique understanding of the business, promoting informed decision-making • By raising the CEO age limit, Arnault ensures a smooth transition period, allowing more time for his children to mature into their roles and for him to guide the transition • Their appointments signal to investors and employees a clear, stable succession plan, potentially boosting confidence and share price • Younger leaders often bring new ideas and approaches, which can drive innovation, modernisation and adaptation to changing market trends • Family members have a significant personal and financial stake in the *LVMH*'s success, supporting their interests closely with those of the business • However, the nomination of family members could raise questions about the merit of appointments, potentially undermining the perceived professionalism and fairness of leadership selection • A board dominated by family members might lack new ideas from outside the business, leading to decisions that are not challenged or fully explored, potentially hindering the company's adaptability and growth • External investors might be wary of the qualifications and capabilities of family-appointed board members, fearing decisions based more on family connections than on business acumen • Mixing family dynamics with business can lead to internal conflicts, which may spill over into company operations and affect morale and performance • If the transition and adaptation of the new leaders are not smooth, it could lead to operational inefficiencies, impacting *LVMH*'s market position and financial health • The succession plan would need to be part of a larger contingency plan to cope with the wider business environment

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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	Evaluate the likely benefits for a business of having a Corporate Social Responsibility (CSR) strategy. **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** • Corporate Social Responsibility (CSR) is when businesses voluntarily take the initiative to positively impact society and the environment • *Heinz*'s sustainable packaging initiative demonstrates a commitment to environmental responsibility, enhancing its brand image and attracting eco-conscious consumers • *Lidl*'s detergent refill stations show how CSR practices can lead to operational efficiencies and cost savings, with the added benefit of customer incentives for participation • By focusing on recyclable, reusable, and compostable packaging, *Heinz* and *Lidl* are investing in the long-term sustainability of their operations, ensuring resilience against resource scarcity and environmental challenges • The One for One model used by *TOMS* not only differentiates the brand in a crowded market but also builds a loyal customer base that values a positive social impact • These initiatives help businesses meet future environmental and sustainability laws early on, which can save them money on legal compliance later • Businesses with strong CSR policies often experience higher employee morale and engagement, as workers feel part of a meaningful mission • However, implementing CSR initiatives such as sustainable packaging or social impact models requires significant investment, potentially diverting resources from other business areas • The costs associated with CSR efforts, such as developing recyclable materials or donating products, may lead to higher prices for consumers • The actual impact of CSR initiatives on climate change can be limited, questioning the effectiveness of individual company efforts • Some consumers may view CSR initiatives as marketing tactics or greenwashing rather than genuine efforts • Incorporating CSR policies can add complexity to business operations, requiring more rigorous supply chain management • Businesses may face pressure to adopt CSR practices primarily for competitive reasons rather than a genuine commitment to social or environmental causes • Overall, how well a CSR policy works mainly depends on how sincere the business is about helping, how well its CSR actions fit with its main business goals and what its customers and other stakeholders expect from it

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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 possible impact on *Coca-Cola* from its strategic decision to launch Coca-Cola Spiced. **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** • A strategic decision is a long-term plan for the future of the business to achieve its objectives • Coca-Cola Spiced shows *Coca-Cola*'s ongoing effort to innovate by introducing new, unique flavours that meet changing customer preferences, keeping it the leading brand in the drinks industry • Product development carries a moderate risk for *Coca-Cola* • This is because it builds on the existing market presence and brand loyalty of *Coca-Cola*, thereby avoiding the uncertainties associated with new markets or entirely new products • The new Coca-Cola Spiced aims to refresh *Coca-Cola*'s image, making it seem more innovative and in tune with what consumers currently like • The introduction of Coca-Cola Spiced could boost sales by appealing to both existing customers and attracting new ones, increasing market share in the soft drink sector • This targets younger demographics who are seeking innovative drink experiences, potentially revitalising interest in the brand • Introducing Coca-Cola Spiced uses *Coca-Cola*'s well-known brand to launch new flavours, aiming to grow the business while keeping risks low • However, introducing Coca-Cola Spiced carries the risk of existing customers resisting the new flavour especially if it is too different from the original flavour that they are loyal to • Too many new flavours could confuse the market, weakening *Coca-Cola*'s brand identity • The specific "spiced" flavour may not appeal to a wide audience, limiting its success • Significant resources will be needed to be spent on development and marketing the new flavour with no guaranteed return • Banking on the spicy trend might backfire if consumer preferences shift quickly • Adding a new drink flavour may complicate production and distribution logistics, potentially increasing costs for *Coca-Cola* • *Coca-Cola* has not introduced a new flavour for three years so perhaps resources should be focused on existing products, which have less risk • Overall, the extent to which this is a good decision will depend on how well received the new spiced flavour is and if there is continued demand for an alternative cola drink

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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.
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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.

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