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Pearson Edexcel

Mark Scheme (Results)

October 2022

Pearson Edexcel International Advanced Level
In Business (WBS13) Paper 01
Unit 3: 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.

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Question	Using Extract D, calculate the gearing ratio for *Pets at Home* in March 2021. You are advised to show your working. **Answer**	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: $\frac{£433.7m \textbf{ (1)}}{£433.7m + £993.7m \textbf{ (1)}} \times 100$ **OR** $\frac{£433.7m \textbf{ (1)}}{£1\,427.4m \textbf{ (1)}} \times 100$ **Analysis** 1 mark for showing correct answer: 30.38% **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 30.38% award 4 marks • If the answer given is 30.38 award 3 marks	**(4)**

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Question	Using the data in Extract E, calculate the three year moving average for the percentage of UK households who owned a pet in 2020. 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)** **Application** Up to 2 marks for correct application of figures to formula: $\frac{(40\% + 41\% + 60\%)}{3} = \frac{141\%}{3}$ **(1)** **(1)** **Analysis** 1 mark for showing correct answer: 47% **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 47% award 4 marks • If the answer given is 47 award 3 marks	**(4)**

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Question	Discuss the possible limitations of quantitative sales forecasting for future sales at *Pets at Home.* **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. **QS8:** Use and interpret quantitative and non-quantitative information in order to make decisions **Knowledge, Application, Analysis, Evaluation – indicative content** • Quantitative sales forecasting techniques such as time-series analysis involves making future predictions based on trends identified from past data • Extrapolation of past data to future sales forecasts can often be difficult and has limitations due to the dynamic nature of the pet care market • The increase in pet ownership in the UK in 2020/21 in Extract E does not mean this will continue in the future and the forecast of the pet care market growing to £7bn in Extract A may not occur • For example, external factors might have been the main contributor to the demand for new pets, rather than long term changes making forecasting techniques inaccurate • Demand for pet care products might be dependent on a wide range of other factors such as the state of the UK economic environment and social trends • This demonstrates that there are many external factors that might affect the accuracy of quantitative sales forecasting techniques • However, numerical data such as time-series analysis is easy to interpret and analyse for example graphs can be made and correlations identified • *Pets at Home* can look at its revenues for the past three years to spot seasonal patterns for pet accessories • Fluctuations in data can then be smoothed out to be able to identify trends in products such as for pet accessories • Data can be objectively interpreted and bias is often not an issue in comparison to qualitative techniques

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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.

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Question	Using Extracts A and B, assess how *Pets at Home* could use portfolio analysis when deciding which products and services to sell. **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. **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** • Portfolio analysis involves a business considering each of its products in the context of its market position • By analysing its product portfolio, *Pets at Home* can make strategic decisions about which of its pet products need support, which are generating the most revenue and which need to be discontinued • For example, Extract A states that pet accessories are set to grow and exceed £0.9bn by 2021-2022 • Extract B shows that *Pets at Home* has a 45% share of the UK market for pet accessories and it has seen a 15% increase in revenue from this product • This suggests that pet accessories could be considered to be a cash cow for *Pets at Home* • Knowing this*, Pets at Home* could use the revenue generated from pet accessories to support its other product areas or expand its locations in the UK • The revenue for pet grooming has declined between 2020-2021 and *Pets at Home* have a small market share, which could indicate that this is a dog product according to the Boston Matrix • *Pets at Home* could therefore divest this area of the business or look to see if this area of the business could be improved over time • Therefore, portfolio analysis can help *Pets at Home* focus its resources into the most successful pet care products and services • However, portfolio analysis is often considered to be too simplistic with market share and market growth classified as either low or high when in fact businesses can be somewhere in the middle • High market share does not always lead to high profits because often there are high costs also involved with high market share • For example, *Pets at Home* might have to invest heavily in advertising, R&D and product development to maintain its 45% market share of the pet accessory market reducing profitability

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	• Portfolio analysis is only a snapshot of the current position at *Pets at Home* and does not take into account external factors such as the product life cycle of different pet care products • Portfolio analysis should be used in conjunction with other strategic tools such as SWOT or Ansoff's Matrix to help with the strategic direction of *Pets at Home*

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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.

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Question	Assess the benefits of succession planning for *Pets at Home.* **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. **QS9:** Interpret, apply and analyse information in written, graphical and numerical forms **Knowledge, Application, Analysis, Evaluation – indicative content** • Succession planning is a process for identifying and developing new leaders, from existing employees who can replace existing leaders when they leave, retire or die • In 2021 *Pets at Home* made succession planning a priority for the business • It is important for *Pets at Home* to carry out succession planning because it can help it maintain its brand identity • This is because identifying and preparing an internal successor, *Pets at Home* might be able to be led by someone who shares its values and understands the company's brand, its customers and its employees because they are familiar with the *Pets at Home* culture • Often leaders developed from within a business tend to be more successful than those brought in because they have benefited from in-house leadership programmes • In the face of skills shortages, succession planning could be a quicker way to replace senior positions at *Pets at Home* without the need for expensive external recruitment • However, succession planning relies on there being a suitable candidate in the first place at *Pets at Home* • An internal employee might already be familiar with the culture of *Pets at Home* but this does not guarantee that there will be smooth transition or that the business will not face any risks • There are other factors which might be more important than succession planning for *Pets at Home* • Spending time on areas such as strategic decision making might be currently more important for *Pets at Home* to maintain its position in the pet care market • There are a number of important areas that the Board at *Pets at Home* should consider and succession planning might be more relevant when senior managers on the Board are nearing retirement

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	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.

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Question	Evaluate the benefits of a task culture for a business such as *Zappos.com*. **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** • Company culture types can be classified as power, role, task and person. A task culture is when a business allows teams to focus on a particular task within the broad remit of the overall aim of the business • *Zappos.com* has implemented a system called Holacracy to help to try and combat the increase in bureaucracy • This allows all employees to identify areas of opportunity and to propose solutions without them having to be approved by a manager or chain of managers above them • Therefore, individual employees have a large degree of control over their work • This type of culture could therefore result in high levels of motivation for employees working at *Zappos.com* as they have the responsibility to pursue their ideas • By allowing employees to voice their views in meetings, *Zappos.com* might be able to deliver its customer service promise and improve its relationships with its suppliers, retailers and investors • Adopting a task culture often works well in dynamic markets such as online retailing as teams can be assigned to meet new challenges or solve problems when they occur • This task culture is further supported by *Zappos.com* view that work should be fun which is very different to many business cultures • However, control using a task culture can often be difficult to manage in a large organisation such as *Zappos.com* • *Zappos.com* senior managers may exert little day-to-day control over methods of working or procedures, without damaging the norms of the culture established by the Holacracy system • Overall control will still need to be retained by senior *Zappos.com* managers when allocating projects, people and resources • Allowing employees to make decisions without having to pass up the hierarchy relies on individual employees at *Zappos.com* having the necessary skills and expertise to make those important decisions • Employees may not have these, so this necessitates the introduction of rules and procedures, the use of position or the control of resources by managers to get the work done

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	• Task culture has a tendency to change to a role or power culture when resources are limited or when the whole organisation is unsuccessful • This could result in frustration on the part of the employee if decisions are overruled by senior managers at *Zappos.com*

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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 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.

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Question	Evaluate the benefits of being ethical for a business such as *Volvo Cars*. **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. **QS9:** Interpret, apply and analyse information in written, graphical and numerical forms **Knowledge, Application, Analysis, Evaluation – indicative content** • Business ethics involve moral principles that determine how business decisions are made and may include providing good working conditions, fair pay and assessment of environmental impacts • *Volvo Cars* adopts ethical practices such as using technology to trace the cobalt used in its electric batteries • It works with a not-for-profit organisation in DRC to ensure mine workers are fully protected which helps to support *Volvo Cars'* promise of safety not only to drivers but to miners and the environment • This could result in more customers purchasing an electric vehicle from *Volvo Cars* rather than another car manufacturer that does not have the same ethical standards • *Volvo Cars* may gain a competitive advantage by following an ethical policy which can enhance reputation and desirability in the eyes of the consumer • There has been a significant increase in the number of consumers who are concerned with environmental and ethical issues • The average amount spent on ethical products in the UK has increased from £202 in 1999 to £1278 in 2018 • In particular the amount spent on ethical transport has increased from £10 to £214 in this period • This demonstrates that it is of great strategic benefit to *Volvo Cars* to adopt ethical behaviours to gain market share in a very competitive industry • Often consumers are willing to pay more for sustainable products or for products that can have their supply chain traced • This could result in higher profit margins for *Volvo Cars* from being ethical • However, often being ethical or having ethical supply chains can result in a negative trade-off between ethical behaviour and profitability • Tracing cobalt and ensuring raw materials are from legal sources might result in higher costs of production for *Volvo Cars* which may negatively affect profitability in the short-term

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	• If higher costs translate into higher prices for electric vehicles then its competitiveness and sales may suffer • Many consumers may not care about environmental claims and may be more concerned with the final selling price an electric vehicle • Much depends on the additional costs involved in the implementation of their values and checking of the supply chains • In the short-term it may be costly to ensure these standards are being kept but in the longer-term, *Volvo Cars* may see its sales increase • The overall impact may depend upon how socially and ethically aware its core customers are

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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 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.

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