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Mark Scheme (Results)

Summer 2023

International A Level in

Business (WBS13)

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	Explain **one** reason why shareholders might be interested in the financial statements of *Lush.* (4) **Answer**	Mark
1(a)	**Knowledge 1, Application 2, Analysis 1** **QS9** Interpret, apply and analyse information in written, graphical and numerical forms **Knowledge** 1 mark for identifying one reason, e.g.: • To identify the performance of a business over time **(1)** **Application** Up to 2 marks for contextualised answers, e.g.: • *Lush* pre-tax profit has increased from £45m loss to £29m profit **(1)** • Turnover fell to £408.7m from £437.8m **(1)** **Analysis** 1 mark for developing the reason, e.g.: • Shareholders will be able to see if the business has improved over the financial year/if dividends will be paid **(1)**	**(4)**

Question	Using Extract B, calculate the total monthly contribution if *Lush* sells 3,300,000 bath soaps per month. You are advised to show your working. **Answer**	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS5** Calculate cost, revenue, profit and break-even **Knowledge** 1 mark for knowledge and understanding of how to calculate the total contribution: • (selling price – variable cost) x number sold **(1)** **Application** Up to 2 marks for correct application of figures to formula: • £5.50 - £1 **(1)** • £4.50 x 3,300,000 **(1)** **Analysis** 1 mark for showing correct answer: • £14 850 000 **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is £14 850 000 award 4 marks • If the answer given is 14 850 000 award 3 marks	**(4)**

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Question	Using Extract C, discuss the effects on *Lush*'s financial resources of its strategic decision not to use social media. (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. **QS: QS8, QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Financial resources are used to finance a business strategy and can include cash, current assets and the ability to borrow finance for future operations • Extract C states *Lush* may lose £10m in sales from the decision to stop using social media platforms • This could result in *Lush* having a short-term problem with its cash flow as fewer products might be sold due to a lack of awareness • Social media platforms are a good way to promote a business and create demand for products so not using them might have financial implications • Many of these platforms are used by teenage girls who are a key consumer for *Lush* • This could result in *Lush* requiring short-term sources of finance to support its liquidity during this time • However, the effect on *Lush*'s financial resources could be minimal • By removing itself from social media platforms it is demonstrating it is taking an ethical stance and could be part of its CSR policy • This could result in increased sales and good publicity from doing this • *Lush* is investing in its retail outlets which could offset any drop in sales caused by this decision • Extract C states that *Lush* is well-placed after the global health crisis and could therefore withstand any short-term liquidity issues

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	Assess whether employee share ownership might reduce labour turnove for a business such as *Lush*. (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. **QS: QS8 and QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Employee share ownership is when part of the business is owned by the company's workforce • *Lush* has given 10% of the business to its employees in the form of the Employee Benefit Trust (EBT) • Extract D states the purpose of the EBT and how this could be of mutual benefit to *Lush* and its employees • The EBT could create incentives in the form of employee motivation and productivity because the employees at *Lush* will benefit financially from their own efforts and have a stake in the business • The EBT could reduce labour turnover because it gives every *Lush* employee a voice and rewards employees for remaining in the business • By owning a share in *Lush*, employees might be less likely to move to competitors in the same industry therefore improving retention • However, the value of shares can decrease therefore it will reduce the incentive to remain at *Lush* • Only 10% of shares have been given to employees which does not give employees enough power to really influence decision-making at *Lush* • For many employees, good working conditions, pay and promotional prospects are more important than share ownership to persuade them to stay at a business • There are other ways to improve retention such as empowerment strategies and consultation, which might be more effective and do not require ownership to be given to employees • A combination of financial and non-financial human resource strategies might be the best way to reduce labour turnover as employees are often motivated by different factors

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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 extent to which *Lush* considers its stakeholders when making business decisions. (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. **QS: QS8, QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Stakeholders are people or groups who have an interest in the actions of a business. They include owners, employees, customers, suppliers, local community, the government and environmental groups • It can be argued that *Lush* does consider its stakeholders when it makes decisions with Extract E stating what *Lush* believes in and how it affects many of its stakeholder groups • *Lush* insists that its suppliers do not test on animals and that *Lush* cares for the environment by the decisions it makes about the ingredients that go into its products • Customer needs are important and Extract E states that products should be good value and the customer is always right • Although *Lush* is known for its ethical values, it still aims to make a profit as a company and reward shareholders when it can, by its decision to invest into the business in order to grow it • Extract D shows how employees are given a share in the business and the opportunity to voice their opinion which demonstrates that employees are considered when making decisions at *Lush* • However, it could be argued that even though all stakeholders are considered to some extent in its decisions, the most important stakeholder group is still the shareholders and decisions will be made with them as the priority • *Lush* is a company and so has responsibilities to make a return on investment for its shareholders and perhaps the decisions affecting other stakeholders are really made to benefit the shareholders • Revenue has fallen in recent years and a decision not to pay dividends to shareholders was made to reflect this • *Lush* has donated £6.3m to several charities which could reduce dividends to shareholders • *Lush* is continuing to invest in its retail outlets and expand via health spas and hairdressers which shows that revenue and profit are still a major objective and priority for the business • In conclusion, *Lush* is not a typical business and has ethics at the heart of its culture and although it does probably consider the impact of its decisions on all of its stakeholders, its shareholders are likely to be the most important

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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 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	Using Porter's five forces and the data in Extracts F and G, evaluate whether the threat of substitutes is the most important external influence on *Apple*. (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** • Porter's five force model is a framework for analysing the nature of competition within an industry • It does this by looking at five main factors – threat of substitutes, threat of new entrants, bargaining power of buyers, bargaining power of suppliers and competitive rivalry • *Google* is launching a new smartwatch called the Pixel Watch in 2022 which will be a direct rival to the *Apple* watch and therefore is a substitute product to *Apple* • Consequently, *Apple* may see a reduction in demand for its smartwatch if consumers switch to this newer smartwatch • *Google* took over *Fitbit* in 2019 and its new Pixel Watch will have features that track health and fitness. These types of features are a key factor in driving growth in the smartphone market • This could give *Google* a competitive advantage over *Apple* if consumers are purchasing a smartwatch for these specific features • This demonstrates that the threat of substitutes could be the most important external factor affecting *Apple* • The success of *Google*'s Pixel Watch could have a significant impact on the market and increase competition • However, *Apple* is the dominant business and market leader in the smartwatch market with a 33.5% market share • This is significantly higher than all the other companies in the market, with *Google* only having a total of 8.1% which includes both *Fitbit* and existing *Google* smartwatches • This gives *Apple* a very secure place within this market and creates a strong barrier to entry for *Apple* against substitute products and the threat of new entrants into the market • Extract E states that many first-time buyers are choosing an *Apple* watch over other brands showing that it has great influence within the market • *Apple* has continued to see its sales revenue increase by 13.3% compared to 2021 indicating that it is well-placed and has a very competitive position • *Apple* might face pressure from other aspects of Porter's five forces in terms of bargaining power of suppliers, if there are continued issues with the supply chain which has impacted on growth in 2022 • This could have a greater impact if *Apple* is unable to fulfil orders and cannot supply Apple watches to customers • There are several important external influences that can impact *Apple* and the relative importance of each may change over time

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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	Using the data in Extract H, evaluate whether franchising is the best way to increase Sosyo's market share in India. (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** • Franchising allows other entrepreneurs to trade under the name of the original business and is an example of organic growth • Franchising can be a cost-effective way to grow because *Hajoori* will not have to cover the cost of investing in new premises or hiring of staff therefore reducing liability if the expansion is unsuccessful • One of the biggest benefits to *Hajoori* using franchises is the ability to expand within India without an increase in risk • This is because the franchisee takes on the financial risk of opening a bottling plant under the name of the Sosyo, but *Hajoori* gets all the benefit of additional locations without taking on the risk themselves • Each franchisee would finance their own bottling plant whilst *Hajoori* would receive franchise fees and royalties or a mark-up on bottles of Sosyo sold by the franchisee • Using franchises could result in an increase in brand awareness for Sosyo due to the many locations it can now cover • However, *Hajoori* will need to provide training and support for the franchisees in order to successfully sell the Sosyo brand to ensure that its brand image and quality is maintained • Franchising will result in *Hajoori* selling some of the control over its business and this could result in the Sosyo brand suffering if the quality of the drink is not maintained • How successful the Sosyo franchise will be may depend upon the franchisee's business skills and ensuring the right people are allowed to run the franchise on behalf of *Hajoori* • There are other ways to increase Sosyo's market share • *Hajoori* could look to improve its marketing mix with regards to increasing its advertising budget and promotional strategy • It could make greater use of social media platforms such as Instagram and Twitter which, at the moment *Hajoori* has a limited number of followers for such an established brand • The use of social media is a relatively inexpensive way to create brand awareness and target new customers in a large geographical area such as India • Therefore, increased use of social media could help to raise awareness of the Sosyo brand in parts of India where market share is low • *Hajoori* must consider its current financial position when weighing up the options in terms of what will be the most cost-effective way to increase market share for Sosyo

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Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of 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.