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Edexcel

Mark Scheme (Results)

Summer 2023

Pearson Edexcel GCE A Level
in Business (9BS0)

Paper 02 Business activities, 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 Number	Answer	Mark
1 (a)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for understanding of job production.</p> <ul style="list-style-type: none"> Where items are made individually. <p>Application: up to 2 marks for:</p> <ul style="list-style-type: none"> Each worker has a 'signature', which they stamp on the parts of the bike that they work on. Brompton bikes are unique due to the fact that they are foldable. <p>Analysis: 1 mark for:</p> <ul style="list-style-type: none"> This enables Brompton to add value to its bikes because consumers may be prepared to pay higher prices for a quality bike. 	(4)

Question Number	Answer	Mark
1 (b)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skill assessed: QS 1 Calculate, use and understand ratios, averages and fractions</p> <p>Knowledge/understanding: 1 mark: for use of an appropriate formula,</p> <ul style="list-style-type: none"> Labour productivity = output/number of workers (<i>this may be implied</i>) (1) <p>Application: up to 3 marks for:</p> <ul style="list-style-type: none"> Labour productivity for 2019: $48956/150 = 326.37$ (1) Labour productivity for 2020: $59052/184 = 320.93$ (1) Difference: $326.37 - 320.93 = 5.44$ (1) <p>N.B If the only answer given is 5.44 or -5.44 award 4 marks. If the only answer given is 5.4 award 3 marks</p>	(4)

Question Number	Indicative content	Mark
1 (c)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • A distinctive capability is a skill or attribute possessed by a business. • Innovation is the creation, development and implementation of a new product, process or service. <p>Possible reasons why innovation has given Brompton a competitive advantage:</p> <ul style="list-style-type: none"> • Brompton has a global reputation for design excellence of its folding bike. This provides a USP and a strong brand image for the business • Brompton’s team of designers are constantly improving the bike, accessories and the production processes. This may lead to further innovations, as well as improvements in quality and efficiency • Brompton’s sales have made record growth averaging 20% for the past four years. This suggests that the business enjoys brand loyalty from its existing customers, as well as attracting new customers in cities such as Tokyo and Shanghai. Design and innovation may be key reasons for this sales growth <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • Competitive advantage may be due to the distinctive capability of reputation, e.g. the excellent customer service each store provides. Qualified sales staff offer expert advice to customers. Stores offer a wide range of spares and accessories. This may attract customers to Brompton stores, rather than rivals such as Halfords • Brompton trains each worker for 18 months and uses job production. This may lead to a motivated workforce and excellent employer-employee relations. This is an example of the distinctive capability of architecture • Brompton has a widespread distribution network. It has over 1,450 official dealers around the world, such as London and New York. This may provide Brompton with the opportunity to sell its bikes to more customers than its competitors <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Innovation is the main reason for Brompton’s competitive advantage, because the unique design of its foldable bike can be protected by a patent, preventing Brompton’s competitors from copying it • Innovation is an important USP and enables Brompton to gain competitive advantage through differentiation. However, in the long run, product quality and customer service may be more important 	(10)

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> • A completely inaccurate response.
Level 1	1-2	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	5-6	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding. • 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 • Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.
Level 4	7-10	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding. • A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). • Assessment is balanced and well contextualised, using quantitative and/or qualitative information • Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	
1 (d)	<p data-bbox="357 237 1230 271">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p data-bbox="339 309 794 342">Quantitative skill assessed:</p> <p data-bbox="339 342 1217 409">QS 3 construct and interpret a range of standard graphical forms</p> <ul data-bbox="387 450 1305 517" style="list-style-type: none"> • An exchange rate is the price of one currency in terms of another. <p data-bbox="339 566 611 600">Possible effects:</p> <ul data-bbox="387 607 1305 920" style="list-style-type: none"> • Between April 2020 and April 2021, the dollar to the £ exchange rate changed from \$1.15 = £1 to \$1.38 = £1. Therefore the £ has appreciated in value against the \$ • This may have a negative effect upon Brompton's sales in the US, because its bicycles may be more expensive for US consumers in cities such as New York • Exports account for 68% of Brompton's sales. If the US is a major export market, the effect upon Brompton could be significant <p data-bbox="339 958 707 992"><i>Possible counterbalance:</i></p> <ul data-bbox="387 999 1305 1413" style="list-style-type: none"> • Brompton may benefit from cheaper import prices if it buys components and accessories from US suppliers. The reduction in costs may enable them to charge more competitive prices • Brompton bicycles have an excellent reputation for design excellence and a USP of being foldable. Consequently, US consumers may still be prepared to pay the higher price caused by the change in the exchange rate • If sales fall in the US, Brompton may be able to compensate for this by increasing its sales in other markets such as Tokyo and Shanghai, especially if the exchange rate is more favourable <p data-bbox="339 1451 643 1485"><i>Potential judgement</i></p> <ul data-bbox="387 1491 1305 1771" style="list-style-type: none"> • The £ has only appreciated against the dollar by \$0.23. The price of Brompton bicycles for US consumers may only increase by a small amount. Consequently, sales may not be affected • If the price of bikes is an important (price elastic) factor for US consumers, the change in the exchange rate could be negative. This is because US consumers may buy from cheaper domestic bicycle manufacturers instead 	

(12)

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	0	<ul style="list-style-type: none"> • A completely inaccurate response.
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Level 2	3-4	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding. • 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. • Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.
Level 4	9-12	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding. • 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. • Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.

<p>1(e)</p>	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Arguments for organic growth:</p> <ul style="list-style-type: none"> • Organic (or internal) growth involves expansion from within a business, for example by expanding the product range, or number of business units and location • Organic growth is less risky and allows the business to grow gradually. Brompton was established in 1975 and has sustained consistent internal growth since then • Brompton has grown by building upon its strengths of innovation and design excellence. This has enabled the business to manage its expansion by increasing its production capacity and opening more stores around the world • Brompton has made record growth in sales by 20% over the past four years. This may have generated the income to continue to finance organic growth <p>Arguments for inorganic growth:</p> <ul style="list-style-type: none"> • Inorganic (or external) growth involves expansion by either merging with, or taking over another business • Chief Executive Will Butler-Adams, has stated that acquiring businesses that make complementary accessories, such as clothing and bicycle helmets, is being considered as part of Brompton’s growth strategy • Brompton is considering taking over manufacturers of clothing and bicycle helmets. This may enable the business to rapidly generate more revenue from each customer, because each customer may purchase a bike plus accessories... • Brompton may benefit from new ideas by taking over businesses that have specialist knowledge. For example, the quality of Brompton’s bikes has improved by acquiring new workers with specialist skills in the paint shop <p><i>Possible recommendations</i></p> <ul style="list-style-type: none"> • Brompton should adopt a strategy of organic growth. This would enable the business to maintain its culture based upon craftsmanship and design excellence. Otherwise, growth through takeovers could lead to a clash of cultures, resulting in low morale and a fall in quality • Brompton should adopt a strategy of inorganic growth. Given its rapid growth, the business has struggled to obtain enough supplies of components to maintain production levels. Backwards vertical integration could solve this issue and enable Brompton to realise its projected 30% a year growth 	
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Examples of possible 'MOPS' responses

Market – Brompton operates in the mass market for bicycles. However due to its USP of being a foldable bike, it could be considered to target a niche market of commuters and city dwellers. Inorganic growth could provide the opportunity for Brompton to attract a wider range of customers

Objectives – Brompton has set itself the objective of expansion. This could be achieved through increased sales of its bicycles, particularly in overseas markets. This could also generate more income through the sale of complementary goods such as clothing. This supports the option of inorganic growth

Product – Brompton bicycles are of high quality, hand-made by skilled workers and have a reputation for design excellence. It is therefore important that Brompton maintains this USP. This supports the option of organic growth

Situation – Brompton has grown steadily since 1975. It has enjoyed record growth in the last four years, and this is predicted to continue. This therefore supports the option of organic growth

(20)

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	0	<ul style="list-style-type: none"> • A completely inaccurate response.
Level 1	1–4	<ul style="list-style-type: none"> • 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 cause(s) and/or consequence(s)/effect(s).
Level 2	5–8	<ul style="list-style-type: none"> • Elements of knowledge and understanding • Which are applied to the business example. • Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/ effect(s) 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	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding • Supported throughout by use of the business behaviour/context. • Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are developed. • Quantitative 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	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding • Supported throughout by use of relevant and effective use of the business behaviour/context. • Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) 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 recommendation(s).

Question Number	Answer	Mark
2(a)	<p style="text-align: center;">Knowledge 1, Application 2 Analysis 1</p> <p>Knowledge: 1 mark for identifying a problem due to rapid growth</p> <ul style="list-style-type: none"> • Overtrading/poor internal communication/loss of strategic direction/diseconomies of scale or knowledge of rapid growth <p>Application: up to 2 marks for:</p> <ul style="list-style-type: none"> • Peloton's sales rose by 172% between 2020 and 2021 • Delays in production and delivery of equipment to the one million new members <p>Analysis: 1 mark for:</p> <ul style="list-style-type: none"> • This could lead to dissatisfied customers who are unable to participate in the online classes 	(4)

Question Number	Answer	Mark
2 (b)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skill assessed: QS 1 Calculate, use and understand ratios, averages and fractions</p> <p>Knowledge: 1 mark for use of an appropriate formula.</p> <ul style="list-style-type: none"> • $\text{Gross profit/revenue} \times 100$ <p>Application: up to 3 marks for:</p> <ul style="list-style-type: none"> • Calculation of gross profit: $4021.80 - 2569.80 = 1452$ (1) • Calculation of gross profit margin: $1452/4021.80 \times 100 = 36.10\%$ (1) • Calculation of the difference between 2020 and 2021: $32.35\% \text{ and } 36.10\% = 3.75\%$ (1) <p>NB: If the only answer given is 3.75% or 3.75 award 4 marks. If the only answer given is 3.7%, 3.7 or -3.75 award 3 marks</p>	(4)

Question Number	Indicative content	Mark
2 (c)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <p>Consumer legislation is designed to protect consumers from poor-quality products and poor business practices.</p> <p>Effects:</p> <ul style="list-style-type: none"> • Peloton’s costs may increase because it had to replace the faulty bikes that are corroded and/or offer customers a refund of between \$1,495 and \$2,495 for the bikes • Peloton’s reputation may suffer if it fails to comply with legislation, e.g. by selling faulty bikes • Peloton may be penalised (fined) by the US Consumer Product Safety Commission because the bikes ‘could create a substantial product hazard or an unreasonable risk of serious injury or death’ <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • Peloton’s costs may not increase because it will not be fined and have to pay refunds to customers for selling poor quality bikes • Peloton may benefit from an improved reputation if it ensures that its bikes meet the requirements of consumer legislation. This could enable it to regain the lost sales • Consumer legislation may force Peloton to solve the problem of corrosion, by working with its supplier in Taiwan to ensure that the bikes are of the correct quality <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • In the short term, the effects may be negative as Peloton could face increased costs ensuring that its machines meet the required consumer standards • In the long term, Peloton should benefit because by meeting the required standards, the company may benefit from reduced costs such as refunds to customers and fines from the US Product Safety Commission 	(10)

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Level 2	3-4	<ul style="list-style-type: none"> • 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	5-6	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding. • 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 • Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.
Level 4	7-10	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding. • A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). • Assessment is balanced and well contextualised, using quantitative and/or qualitative information • Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
2(d)	<p data-bbox="395 197 1268 235">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul data-bbox="383 268 1332 309" style="list-style-type: none"> <li data-bbox="383 268 1332 309">• Profit is the difference between total revenue and total costs <p data-bbox="331 347 566 385">Cutting costs:</p> <ul data-bbox="383 385 1380 913" style="list-style-type: none"> <li data-bbox="383 385 1380 488">• Job losses of 2,800 will save Peloton costs such as wages and national insurance, which assuming similar revenues should lead to greater profits <li data-bbox="383 488 1380 591">• Peloton plans to cut \$800m from its annual costs. This means they may need to sell fewer bikes and/or equipment to break even, which may enable Peloton to generate profit more quickly <li data-bbox="383 591 1380 739">• The reduction in costs may enable Peloton to reduce the price of its bikes by 20%. This may lead to more consumers purchasing equipment and taking out subscriptions, which should increase revenue <li data-bbox="383 739 1380 913">• Peloton’s sales of bikes and treadmills fell by 17% in 2021. This was partly due to competition from lower priced rivals. Cutting costs may therefore allow Peloton to charge more competitive prices for its monthly subscription resulting in increased sales <p data-bbox="331 940 694 978"><i>Possible counterbalance</i></p> <ul data-bbox="383 978 1316 1507" style="list-style-type: none"> <li data-bbox="383 978 1316 1120">• Cutting costs through using inferior components may reduce the quality of Peloton’s products, e.g. equipment such as bikes and treadmills. This may damage Peloton’s reputation and result in more customers leaving <li data-bbox="383 1120 1316 1332">• Reducing the workforce by 2,800 may damage the morale of the remaining workforce. This may result in a poorer service to members, e.g. online fitness instructors may be less motivated, resulting in poor quality classes. Subscribers may switch to a competitor, which may reduce Peloton’s revenue <li data-bbox="383 1332 1316 1507">• Instead of a decrease in costs, profit may be improved by new ways of generating revenue such as the new membership app featuring classes that don’t need expensive equipment. This could attract more price sensitive customers to enable Peloton to increase profit <p data-bbox="331 1545 638 1583"><i>Potential judgement</i></p> <ul data-bbox="383 1583 1300 1971" style="list-style-type: none"> <li data-bbox="383 1583 1300 1724">• Cutting costs may be the best way to improve profit, because it could lead to Peloton becoming more efficient and focused on its core competency of providing high quality online fitness classes in the long run <li data-bbox="383 1724 1300 1971">• Ways of generating revenue may be the best way to improve profit because the world online fitness market is expected to grow by 33.1% by 2027. Peloton is a well-known brand with an established reputation. It can attract more customers through revenue generating tactics such as the new membership app, price reductions and promotional campaigns 	(12)

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Level 3	5-8	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding. • 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. • Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.
Level 4	9-12	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding. • 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. • Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
2(e)	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • PESTLE factors are the political, economic, social, technological, legal and environmental influences that can affect business strategy. • <p>Technological factors:</p> <ul style="list-style-type: none"> • Technological developments, such as fitness apps, have made fitness classes available to a much wider market of consumers. This has resulted in the online fitness market growing from \$6,046m in 2019 to a predicted \$59,231m by 2027. Peloton may therefore need to provide technological innovations in order to remain competitive • Increased ownership of smartphones and smartwatches has also enabled online fitness providers to distribute their services to a wider audience. For example, Peloton gained more than a million new members between 2020 and 2021. This should provide an opportunity for Peloton to gain more customers • Virtual fitness sensors in smartphones and smartwatches enable consumers to keep track of their progress and measure their achievement in reaching health goals. This may provide the motivation for members to maintain their subscriptions to online fitness providers as opposed to paying for personal trainers • The opportunity to develop new equipment, such as rowing machines, might enable Peloton to attract new customers. The new equipment may also provide an additional source of income for Peloton; 60% of its revenue is currently generated from bikes and treadmills <p>Social factors:</p> <ul style="list-style-type: none"> • Consumer tastes and fashions, such as a greater awareness of the benefits of regular exercise, has resulted in the online fitness market predicted to grow 33.1% by 2027. Peloton may be able to continue to benefit from this growing trend by attracting more customers • Consumers may prefer the convenience of streaming online classes at home, rather than having to go to the gym, especially as many people now regularly work from home • Peloton may offer a wide variety of activities aimed at new target markets, e.g. older demographic. This may provide an opportunity for Peloton because older people may prefer to exercise from home as opposed to going to the gym • Health-conscious consumers with busy working lives and/or family commitments, may not have the time to go to the gym. Peloton could target these potential customers by offering a wide variety of online classes 	

Potential recommendation

- Technological factors should be prioritised within its future corporate strategy. This is because the combination of subscription membership apps, specialised equipment and widespread ownership of smartphones are fundamental to Peloton's business model. Peloton may need to ensure that it continues to develop new products and services in order to remain competitive
- Social factors should be prioritised within its future corporate strategy. This is because the online fitness market is dynamic and increasingly competitive. Peloton needs to be constantly aware of changing customers' lifestyles and respond to them. As a result of increased use of flexible/home working, people have gained time and may use this to subscribe to an online class

Examples of possible 'MOPS' responses

Market – Peloton operates in the online fitness market. This is a mass market, which is also dynamic and increasingly competitive. Peloton needs to be constantly aware of technological developments to retain customers or even expand market share

Objectives – Peloton needs to increase its revenue and improve its profitability. Peloton therefore needs to respond to changing customer expectations, such as being able to work from home

Product – Peloton is the largest online fitness provider in the world. It provides its members with specialist equipment such as bikes and treadmills, as well as a wide range of instructor led fitness classes which are digitally streamed to their homes. Peloton could emphasise this competitive advantage in its corporate strategy

Situation – Peloton's sales of bikes and treadmills fell by 17% in 2021. It lost sales to lower priced competitors and encountered equipment quality and delivery problems from its supplier. Therefore, Peloton may need to respond better to customer needs by offering more competitive prices and ensure the quality of its products/services

(20)

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Level 2	5–8	<ul style="list-style-type: none"> • Elements of knowledge and understanding • Which are applied to the business example. • Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/ effect(s) 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	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding • Supported throughout by use of the business behaviour/context. • Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are developed. • Quantitative 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	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding • Supported throughout by use of relevant and effective use of the business behaviour/context. • Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) 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 recommendation(s).

