



Pearson  
Edexcel

Mark Scheme (Results)

Summer 2024

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
<b>1(a)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 1</b></p> <p><b>Knowledge: 1 mark for</b></p> <ul style="list-style-type: none"> <li>• understanding of a mission statement e.g. a mission statement is a brief description of a business' overall aim and strategic vision.</li> </ul> <p style="text-align: center;"><b>or</b></p> <ul style="list-style-type: none"> <li>• identification of a relevant benefit of a mission statement, such as giving employees a common focus</li> </ul> <p><b>Application: up to 2 marks for</b></p> <ul style="list-style-type: none"> <li>• Vidsy selects specific creative teams from the 7,000 global digital creators</li> <li>• Brands such as Coca-Cola and L'Oreal understand Vidsy's mission</li> <li>• Quote from mission statement</li> </ul> <p><b>Analysis: 1 mark for</b></p> <ul style="list-style-type: none"> <li>• The mission statement provides Vidsy's creators with a sense of direction and an understanding of the company's values and goals in order to achieve the company's strategic vision</li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
<b>1 (b)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 3</b></p> <p>Quantitative skill assessed:  <b>QS1</b> Calculate, use and understand ratios, averages and fractions</p> <p><b>Knowledge: 1 mark for</b></p> <ul style="list-style-type: none"> <li>• Return on Capital Employed (ROCE) = operating profit/capital employed x 100 <b>(1)</b></li> </ul> <p><b>Application: up to 3 marks for</b></p> <ul style="list-style-type: none"> <li>• Calculation of operating profit: 3.47m – 2.55m = 0.92m <b>(1)</b></li> <li>• Calculation of capital employed: 0.31m + 15m = 15.31m <b>(1)</b></li> <li>• Calculation of ROCE: 0.92/15.31 x 100 = 6.01% <b>(1)</b></li> </ul> <p><b>N.B:</b> If the only answer given is 6.01% award 4 marks.  If the only answer given is 6.01 or 6.0 award 3 marks</p>	<b>(4)</b>

Question Number	Answer	Mark
1(c)	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• Shareholder returns are the rewards shareholders expect from a company such as good dividends and an increasing share price</li> </ul> <p><b>Shareholder returns:</b></p> <ul style="list-style-type: none"> <li>• Vidsy founders own 60% of the company and they also manage the business. They would expect good returns/dividends as a reward for the risk they took in establishing Vidsy and their hard work in making it a success</li> <li>• The venture capitalist Access Entertainment has invested £12m in the business in return for shares. It would expect a good return on its investment</li> <li>• Vidsy is expanding rapidly and in the future may wish to raise finance by selling more shares. Potential shareholders may be attracted by the high returns Vidsy could offer.</li> </ul> <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> <li>• Focusing on shareholder returns may create conflict with Vidsy’s creators. They may expect high pay and good working conditions as a reward for producing successful digital adverts. This may add to costs and reduce its profits</li> <li>• Providing shareholders with good dividends may result in less profit being reinvested into the business. Vidsy operates in the dynamic technology market and may need to invest in improving its digital platform in order to maintain its competitive advantage</li> <li>• Vidsy has prestigious customers such as Coca-Cola and Unilever. They would expect high levels of service and effective digital adverts. Vidsy may wish to prioritise satisfying customer demands, which could add to costs and therefore reduce profit and potential shareholder returns.</li> </ul> <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>• Vidsy should focus purely on shareholder returns. Shareholders own the business and therefore could be considered the most important stakeholder and expect a reward for their investment.</li> <li>• It depends upon whether Vidsy’s shareholders adopt a long-termist approach. They may be prepared to accept lower dividends in the short term to finance the rapidly growing business, which may generate large profits in the future.</li> </ul>	(10)

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5-6	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	7-10	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced and well contextualised, using quantitative and/or qualitative information</li> <li>• 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.</li> </ul>

Question Number	Indicative content	
1 (d)	<p data-bbox="363 264 1230 300"><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul data-bbox="352 360 1355 427" style="list-style-type: none"> <li>• Labour turnover is the proportion/percentage of workers that leave in a given time period.</li> </ul> <p data-bbox="300 465 608 501"><b>Financial rewards:</b></p> <ul data-bbox="352 501 1355 853" style="list-style-type: none"> <li>• 71% of employees in the technology sector left their jobs to seek higher pay. Vidsy will need to ensure that it offers competitive salaries to retain its staff</li> <li>• Bonuses could be awarded to each team for meeting deadlines for each campaign, which reduces the likelihood of creators wanting to leave</li> <li>• Vidsy is a successful and rapidly growing business. It could retain its key employees such as software designers, by offering rewards, such as share options, which link the future success of the business to employee financial rewards.</li> </ul> <p data-bbox="300 891 667 927"><i>Possible counterbalance:</i></p> <ul data-bbox="352 927 1355 1346" style="list-style-type: none"> <li>• More responsibility (32%) and able to express creativity (26%) are key reasons for labour turnover in the technology sector. Vidsy may need to prioritise these factors by empowering its workforce and encourage their creativity</li> <li>• Vidsy’s digital creators work in teams. This may be a more important reason to stay rather than financial rewards because it may encourage sharing of ideas and development of good working relationships</li> <li>• Vidsy’s rapid growth may create promotion opportunities in its London and New York offices. This may reduce labour turnover as Vidsy’s employees could develop their careers with the company.</li> </ul> <p data-bbox="300 1384 603 1420"><i>Potential judgement</i></p> <ul data-bbox="352 1420 1355 1809" style="list-style-type: none"> <li>• Financial rewards are stated by 71% of employees in the tech sector as a reason for leaving. Therefore, this may be the best way for Vidsy to reduce labour turnover because it operates in a competitive market. Talented digital creators may be in high demand. Competitive salaries and bonuses could prevent Vidsy’s creators leaving for rivals such as Google.</li> <li>• Non-financial rewards, such as better working conditions (47%), empowerment and expressing creativity may be more important. The opportunity to work in different creative teams on campaigns for prestigious companies such as Coca-Cola, may prove to be a better way to reduce labour turnover.</li> </ul>	(12)

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5–8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information.</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	9–12	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information.</li> <li>• 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.</li> </ul>

<p><b>1(e)</b></p>	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b></p> <p><b>Arguments for retained profit:</b></p> <ul style="list-style-type: none"> <li>• Vidsy’s revenue has grown from £220,000 in 2015 to £6.9m in 2021. A 3036% increase in just 6 years. Operating profit in 2021 was £0.93m. This shows that the business is growing rapidly and is potentially more profitable as long as it can control its costs. Retained profit could therefore be used to fund future expansion in the US market</li> <li>• The three founders of Vidsy manage the business and own 60% of the shares. They may prefer to use retained profit because it would enable them to remain in control of the business</li> <li>• Retained profit is readily available to the Directors of Vidsy and no interest payments would be incurred, so the expansion could happen quickly and be more cost effective.</li> </ul> <p><b>Arguments for external finance:</b></p> <ul style="list-style-type: none"> <li>• Vidsy has already obtained £12m from venture capitalists Access Entertainment and therefore may be prepared to invest further given the performance of Vidsy. This is a significant amount of finance compared to the operating profit of £0.93m</li> <li>• Vidsy is a company and can therefore raise additional finance for the expansion by selling shares, particularly as potential shareholders may be attracted by the rapid growth of the business. This finance also does not have to be repaid</li> <li>• Vidsy is low geared, in 2021 its gearing was <math>0.31/15.31 \times 100 = 2.02\%</math>. This may enable it to easily obtain bank loans to finance the expansion because it could be considered to be low risk.</li> </ul> <p><i>Possible recommendations</i></p> <ul style="list-style-type: none"> <li>• Vidsy should use retained profit because it will enable the owners to manage the expansion and avoid losing control of the business, which the three main owners enjoy with a 60% share of the business.</li> <li>• Vidsy should use external finance. It operates in the digital advertising market which is growing at extraordinary speed. Vidsy could raise greater amounts of external finance to enable Vidsy to exploit the opportunities of this dynamic market.</li> </ul>	
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Examples of possible 'MOPS' responses

**Market** – Vidsy operates in the dynamic and rapidly growing digital advertising market. It works with prestigious companies such as Unilever and Coca-Cola and designs adverts specifically targeted at users of social media platforms such as Snapchat and TikTok. This shows that is in a good position to generate the retained profit required for the expansion

**Objectives** – Vidsy has ambitious expansion plans. It aims to expand in the US market and further develop its platform and services. External finance, such as that obtained from Access Entertainment could enable Vidsy to achieve this objective

**Product** – Vidsy specialises in digital advertising aimed at users of Snapchat and TikTok. Prestigious companies such as Coca-Cola may be attracted to the quality advertising produced by Vidsy's creators. The potential high profit margins of this business model can help them generate retained profit quickly

**Situation** – Vidsy has expanded rapidly since 2014. It has offices in London and New York as well as a workforce of over 7,000 digital creators. External finance, such as share capital, may enable Vidsy to continue this rapid expansion by providing the larger funds required

**(20)**

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–4	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding.</li> <li>• Weak or no relevant application of business examples.</li> <li>• An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).</li> </ul>
Level 2	5–8	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding</li> <li>• Which are applied to the business example.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Level 3	9–14	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of the business behaviour/context.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Level 4	15–20	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of relevant and effective use of the business behaviour/context.</li> <li>• Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed.</li> <li>• 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).</li> </ul>

Question Number	Answer	Mark
2(a)	<p style="text-align: center;"><b>Knowledge 1, Application 3</b></p> <p>Quantitative skill assessed:</p> <p><b>QS1:</b> Calculate, use and understand ratios, averages and fractions</p> <p><b>Knowledge: 1 mark for</b> use of the correct formula            Operating profit margin = operating profit/revenue x 100 <b>(1)</b></p> <p><b>Application: up to 3 marks for</b></p> <ul style="list-style-type: none"> <li>• Calculation of operating profit margin in 2021:  <math>6.53\text{bn}/53.82\text{bn} \times 100 = 12.13\% (12.13303605\%)</math> <b>(1)</b></li> <li>• Calculation of operating profit margin in 2022:  <math>13.65\text{bn}/81.46\text{bn} \times 100 = 16.76\% (16.7566904\%)</math> <b>(1)</b></li> <li>• Calculation of the difference in operating profit margin:  <math>16.76\% - 12.13\% = 4.63\%</math> <b>(1)</b></li> </ul> <p style="text-align: center;"><b>or</b></p> <ul style="list-style-type: none"> <li>• <math>16.7566904\% - 12.13303605\% = 4.62\%</math> <b>(1)</b></li> </ul> <p><b>NB:</b> If the only answer given is 4.63%, 4.63, 4.62%, 4.62 award 4 marks. If the answer given is 4.6% or 4.6 award 3 marks</p>	<b>(4)</b>

Question Number	Answer	Mark
2(b)	<p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 1</b></p> <p><b>Knowledge: 1 mark for</b></p> <ul style="list-style-type: none"> <li>• understanding of capacity utilisation: current output/maximum possible output x 100</li> </ul> <p style="text-align: center;"><b>or</b></p> <ul style="list-style-type: none"> <li>• identification of a benefit of high levels of capacity utilisation such as lower unit costs or more efficient use of resources</li> </ul> <p><b>Application: up to 2 marks for</b></p> <ul style="list-style-type: none"> <li>• Tesla produced 1.37m vehicles in 2022, a 47% increase on 2021</li> <li>• Tesla's factories employ lean production techniques such as JIT</li> </ul> <p><b>Analysis: 1 mark for</b></p> <ul style="list-style-type: none"> <li>• High levels of capacity utilisation means that the fixed costs of Tesla's factories are being spread over more units of production, resulting in lower unit costs per vehicle</li> </ul>	<b>(4)</b>

Question Number	Indicative content
<p><b>2 (c)</b></p>	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>Task culture is an organisational culture which places the emphasis on individual projects and small teams.</li> </ul> <p><b>Task culture:</b></p> <ul style="list-style-type: none"> <li>Tesla has an innovative problem-solving culture. Design teams are expected to come up with new ideas for new products such as the Cybertruck. This may result in better decision making and cutting-edge products in this emerging market</li> <li>Employees are expected to rapidly respond to trends and changes in the market. For example, employees may be organised into projects teams that develop cutting-edge electric cars and related products. This may be a source of competitive advantage compared to rival electric vehicle manufacturers such as Nissan</li> <li>Production workers are encouraged to suggest ideas for improved productivity and quality. Working in small teams may improve employees' motivation (Mayo).</li> </ul> <p><i>Possible counterbalance:</i></p> <ul style="list-style-type: none"> <li>Different teams may have competing interests e.g. one team may be focused on improving the Model 3, whilst another could be just concerned with the Model X. This may lead to a lack of co-operation</li> <li>The need to constantly come up with new ideas may be stressful for some employees, such as the production workers who may prefer to just focus on making the cars. This could lead to an increase in absenteeism and labour turnover</li> <li>Working in teams could lead to conflict between the team members. This may result in slower decision making and delays in responding to market changes, such as developing new models of electric trucks.</li> </ul> <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>Task culture is important for Tesla's continued success because the electric vehicle market could become more competitive as more manufacturers focus on developing these vehicles. A task culture emphasises the importance to employees of working together to develop products that match or exceed those from rival car manufacturers.</li> <li>As a consequence of Tesla's expansion, alternative cultures may be more appropriate for continued success. For example, a role culture where employees are given specific responsibilities, such as quality management, could result in a more organised and efficient workforce.</li> </ul> <p style="text-align: right;"><b>(10)</b></p>

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	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5-6	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	7-10	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced and well contextualised, using quantitative and/or qualitative information</li> <li>• 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.</li> </ul>

Question Number	Indicative content
2 (d)	<p><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>Lean production is an approach to management that focuses on cutting out waste, whilst ensuring quality.</li> <li>Competitive advantage is a feature of a business and/or its products that enables it to compete effectively with rival producers/products.</li> </ul> <p><b>Value of lean production:</b></p> <ul style="list-style-type: none"> <li>Lean production includes an emphasis on Kaizen (continuous improvement). This is appropriate for Tesla's innovative problem-solving culture. Kaizen could lead to improvements in quality and productivity in the manufacture of its vehicles</li> <li>Just in time (JIT) techniques could enable Tesla to reduce its stockholding costs through components for its vehicles being delivered exactly when required for production</li> <li>Tesla's use of advanced robotics should lead to higher productivity and more consistent quality, reducing the amount of defective vehicles.</li> </ul> <p><i>Possible counterbalance:</i></p> <ul style="list-style-type: none"> <li>Lean production could require additional training for its production workers to be effective. This training may have a financial cost, because time and money could be spent more effectively on other activities such as producing more electric vehicles</li> <li>JIT is dependent upon Tesla having reliable suppliers. Tesla has a wide product range of four different car models and the Cybertruck. This may lead to difficulties for Tesla in finding suppliers that are able to provide all the different components required on a JIT basis</li> <li>Tesla's employees may not fully support the use of production techniques because there are higher expectations placed on them such as developing new ideas for reducing waste or streamlining production processes (Kaizen).</li> </ul> <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>The use of lean production is a source of competitive advantage because it has enabled the efficient production of vehicles leading to the increase of 47% between 2021 and 2022.</li> <li>Tesla's competitive advantage may have resulted from other sources, such as innovative design and effective marketing. These sources may be more important because all car manufacturers employ lean production techniques.</li> </ul> <p style="text-align: right;"><b>(12)</b></p>

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Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5-8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information.</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	9-12	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information.</li> <li>• 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.</li> </ul>

Question Number	Indicative content
2(e)	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b></p> <p><b>Market penetration:</b></p> <ul style="list-style-type: none"> <li>• Ansoff’s matrix considers market penetration to be increasing sales of an existing product in an existing market</li> <li>• Tesla’s reputation is based upon its electric cars such as the Model 3 and the Model S. The Model 3 is the all-time bestselling plug-in electric car worldwide, and, in June 2021, became the first electric car to sell 1 million units globally. This shows that Tesla has a competitive advantage over rival manufacturers</li> <li>• In 2021, the company had the most worldwide sales of battery electric vehicles with a market share of 21%. Tesla can exploit its position as market leader through gaining wider distribution of its vehicles by opening more showrooms and increasing sales via its website</li> <li>• Tesla’s factories specialise in electric car manufacture. They are highly efficient and innovative, such as through the use of advanced robotics, as well as achieving impressive levels of capacity utilisation. This may enable Tesla to achieve lower unit costs and could pass these on to customers through lower prices, which could lead to increased sales, giving it a competitive advantage against other electric vehicle manufacturers</li> <li>• Market penetration is less risky because Tesla is an established brand and understands its market and its customers as proved by Tesla being the market leader.</li> </ul> <p><b>Product development:</b></p> <ul style="list-style-type: none"> <li>• Ansoff would classify product development as selling a new product to an existing market</li> <li>• The electric truck market is forecast to increase from \$392m in 2020 to \$3 862m by 2030. This creates an opportunity for Tesla to develop electric trucks to meet this growing demand</li> <li>• Tesla launched the Cybertruck in 2023. This was Tesla’s first electric truck and its success showed that Tesla could develop new products in this growing market. Tesla could exploit its distinctive capability of innovation to increase its market share in the electric truck market</li> <li>• Tesla may benefit from risk bearing economies of scale by developing electric trucks. Selling more than one product to existing customers Tesla could continue to gain sales even if there is a decline in the electric car market</li> <li>• The truck market is more niche than the car market. It may be less competitive and could provide the opportunity for Tesla to gain higher profit margins on its Cybertruck, compared to the Model 3 because existing car manufacturer such as VW might not operate in this market.</li> </ul>

*Possible recommendations*

- Tesla should focus on market penetration. The electric car market is a mass market and could attract more consumers, e.g. in 2021, the Model 3 achieved sales of 1m vehicles compared to the total market volume of 101,499 electric trucks. This may provide great potential for increasing market share.
- Tesla should focus on product development. This could enable Tesla to attract B2B customers, such as Amazon and DHL, as well as its existing B2C market of electric car customers. This may result in Tesla increasing its market share in both the electric car and truck markets.

Examples of possible 'MOPS' responses

**Market** – Tesla is the market leader in the electric vehicle market. This is a growing mass market that is becoming more competitive as leading car manufacturers switch production from fossil fuels to electric. Product development of electric trucks could enable Tesla to gain success in a less competitive market

**Objectives** – Tesla is the world's most valuable car manufacturer. Its objective is to increase its market share of the electric vehicle market. Tesla can exploit this strength by continuing to focus on market penetration

**Product** – Tesla manufactures electric vehicles. It enjoys competitive advantages through understanding its electric vehicle customers and the products it sells to them. Tesla can continue to exploit this competitive advantage through market penetration

**Situation** – Tesla is expanding rapidly. In 2022 it produced 1.37m vehicles, a 47% increase from 2021. It extended its product portfolio with the launch of the Cybertruck in 2023. Product development could enable Tesla to continue this expansion by becoming a market leader in both the car and truck markets

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–4	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding.</li> <li>• Weak or no relevant application of business examples.</li> <li>• An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).</li> </ul>
Level 2	5–8	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding</li> <li>• Which are applied to the business example.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Level 3	9–14	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of the business behaviour/context.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Level 4	15–20	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of relevant and effective use of the business behaviour/context.</li> <li>• Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed.</li> <li>• 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).</li> </ul>

