

Examiners' Report June 2015

IAL Business Studies WBS03 01

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Introduction

This paper followed the style, format and structure established in the published sample assessment material and previous live papers, with the same Assessment Objective (AO) and Mark Band (MB) weightings.

Examiner reports are a valuable resource for helping prepare candidates for external assessment, as they contain lots of general advice that is still relevant and likely to be useful for staff and students in preparation for future papers.

This report should be read together with the examination paper and the Mark Scheme for this paper.

My own observations, supported by reports from all examiners who worked on this paper, will sometimes repeat problems or advice that have been raised in reports on other papers. However, any repetition is because these issues continue to

reappear in papers and have not been resolved or even show signs of improvement. Based on the work seen from candidates in June 2015 the main issues are as follows:

Preparedness

The June 2015 series came at the end of the first full two-year teaching and study period which started in September 2013. For support, candidates may have used sample assessment material, plus the past papers, mark scheme, and PE reports from previous Series. Some candidates will have completed the full two-year course of study, starting in September 2013; others will have started their work on this unit in September 2014.

As outlined in the Specification: *'These International Advanced Level qualifications in Business Studies require students to:*

investigate different types of businesses that develop and sell products and/or services in a local, national or international marketplace. At IA2 level, students will study the ways in which companies make decisions, and grow and operate in the global market place

be able to analyse numerical information and understand how it assists the decision-making process of a business

understand how a business is managed, how its performance is analysed and how it could trade internationally.'

Specifically: *'this unit (Unit 3) develops the content of Unit 2, which is designated at IA2 standard.'*

This sets the standard required for this unit, but it was evident from some of the answers and papers that some candidates were not fully prepared, showing gaps in knowledge of specific business terms, a tendency for generalisation, using a formulaic approach to answering questions, plus a lack of application in many of the responses and little depth of assessment or evaluation. Together, all of these observations suggest that some candidates were not prepared sufficiently for this external assessment.

The situation could be reversed in future examination series, to the benefit of candidates, if sufficient time is given to covering the content of the Specification and applying the learning to 'real life' case study examples from the business world, rather than being taught to write answers to a set formula.

Rewriting question

Whilst it would appear that some candidates find it a good way to lead their thoughts into an answer, candidates should be reminded that simply rewriting a question is not usually sufficient to gain marks. Rewriting the question or information given in the evidence will not produce marks unless it is being used in context, to support a statement being made in the answer. The question asked needs to be answered.

Not answering question

Some candidates will pick a word or topic from within the question and then write all they know about that particular word or topic – rather than answering the question asked. This could be a way of demonstrating general business knowledge, but candidates need to understand that marks are only given for an answer that addresses the specific question asked.

Linked to this is a tendency for weaker candidates to throw into their answer general expressions such as ‘...increase profit...’, ‘...grow market share...’, ‘...sell more...’ etc. Again, candidates should be made aware that such general terms are unlikely to result in marks unless they are related directly to an answer to the question asked.

Overwriting

Quantity does not necessarily equate to quality nor higher marks. Some candidates appear to think that if they fill the space in the answer booklet, plus several extra pages, then they will get higher marks, this is rarely the case. Often the sense of what the candidate is writing gets lost in the screed of words which fill the pages. As markers, we read every word to see if there are any marks within the text, but sometimes marks can be difficult to see if they are hidden within long general descriptions. The space provided in the answer booklet is planned to match the marks available and consequently the amount of writing that candidates should produce, any more and they are usually wasting time in the exam. As candidates move from education and into the world of business they will soon learn that a concise analysis or report is much more useful than a long and rambling piece of writing.

The paper

The theme of this paper was based on the Consumers' Association, trading as *Which?* - a business that publishes magazines and offers consumer services in the UK - and the launch of its new magazine, *Right Choice*, onto the market in India. Although focussed on one particular industry sector, evidence was provided to candidates which outlined the business, its background plus its aims and objectives; as such, this case study does not appear to have caused any problems for candidates. All questions should have been accessible to candidates of all grades and in practice, most candidates attempted all questions.

Question 1 (a)

Despite the apparent simplicity of these questions, some candidates gave weak answers which were no more than vague generalisations, rather than the more precise answers which are expected at this level.

Question 1a) What is meant by the term mission statement? Many candidates gave simplistic or general answers, earning them 1 mark, but some development or a relevant example was required for the second mark. There was some confusion as to whom a mission statement was aimed; stronger candidates focussed on its use internal to a business, weaker candidates referred to a general group which they called 'stakeholders' - which was considered too vague to be given the second mark.

1 (a) What is meant by the term mission statement? (Evidence B, line 1)

(2)

Mission statement ~~is~~ shows the aims, goals of the business.
And also mission statement motivates the employees to reach the ~~to~~ target goal. The mission statement for "which?" is to make individuals as powerful as the organisations they have to deal with in their daily lives.



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Examiner Comments

This answer gained two marks as the candidate clearly defined what is meant by the term mission statement is.

Question 1 (b)

Question 1b) What is meant by the term brand? Stronger candidates who knew their subject gave good answers which showed understanding. Weaker candidates wrote vague generalisations and did not really identify the properties or use of a 'brand'.

(b) What is meant by the term brand? (Evidence D, line 5)

(2)

Brand is word used to describe the identity of a product / company. It helps them differentiate products / companies. eg: McDonalds and Burger King are two different Brands



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Examiner Comments

Candidates who gave examples of a 'brand' for a second mark drew on a wide range of businesses and sectors, although the weaker candidates just repeated that *Which?* (the main business in the evidence provided for this paper) was a brand - not wrong, but a very low level response.

Question 2

A lot of answers seemed to be written to a format, possibly a result of exam preparation technique training, whereby the answer always started with a definition of what the candidate thought was the main topic of the question. This approach did not work for this question because the knowledge/understanding marks were not given for a generic definition of 'strategy', but only in answer to the actual question which was based on the strategy outlined in Evidence B.

Overall, answers tended to be relatively basic and factual. Answers should have been based on the core of the question - 'Explain why *Which?* needs to have the strategy outlined in Evidence B'. To score higher marks, candidates will they needed to go beyond a basic definition and actually answer the question - focusing on the 'why' rather than the strategy itself. The inclusion of some analysis will have increased the mark.

2 Explain why Which? needs to have the strategy outlined in Evidence B.

A corporate strategy refers to the overall scope and direction of a corporation and the ways in which its business operations work together to achieve particular goals. According to the information provided in Evidence B, Which? sets out its strategic goals to achieve benefits and offer power to the consumers. By outlining its strategies, it provides an overall aim for the employees and may be motivating, generating a strong culture within the organisation. It would inform stakeholders and consumers about the overall aim of the business. It would be motivating and may enhance performance and build up a good reputation among customers. The strategy of maintaining objectives beyond profit maximisation would increase consumer appeal and may be able

(Total for Question 2 = 6 marks)

to generate a favourable consumer view and good reputation. It would provide a competitive advantage to be consumer focused and may appeal to most stakeholder groups, minimising disputes and conflicts.



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Examiner Comments

This clip is a more focused answer. However, the answer would still need some analysis to access the remaining 2 marks.

Question 3

Some candidates started their answer with a generic definition of 'company growth', often spinning into long explanation of the different types of company growth listed in the specification, realising too late in their answer that the company growth referred to in the question was specifically about how the launch of a new product onto the Indian market might lead to company growth. Candidates need to be reminded that it is always helpful to read the question fully, before launching into an answer based on the first thing that they see. At this level, the answer should really go on to answer the actual question, and analyse how/why the launch of *Right Choice* in India might lead to company growth. A number of candidates drew a conclusion and started to give an opinion or evaluation of the product launch and its potential. There are no evaluation marks for this question, and the fact that so many answers included an attempt at evaluation is another example of how candidates are being trained to answer questions in a formulaic way, which always ends with an evaluation; another example of candidates spending time on writing something that will not earn them marks.

3 Analyse how the launch of *Right Choice* in India might lead to company growth.

Growth refers to the expansion of business activities from small scale to large scale. Growth can be organic or inorganic. Organic growth involves expansion of internal business activities whereas inorganic growth involves expansion through mergers and acquisition activities.

The launch of *Right Choice* in India, means that Consumers' Association ventured into a new market, and increased its presence around the globe and hence increasing its ~~market~~ ^{customer} base ~~share~~, leading to the growth of the Consumers' Association.

Also, launching in India, means that the business has widened its market range and increased its market share by publishing magazines in India, thereby leading to growth of the magazine.

Furthermore, by ~~moving~~ ^{expanding} its publications in India, it means that Consumers' Association has increased its production and published publications hence leading to growth.

Therefore, in conclusion, by launching *Right Choice* in India, Consumers' Association has achieved ~~inorganic~~ growth.



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Examiner Comments

In this clip, candidate shows some evidence of knowledge, application, and analysis, given 1 mark each

3 Analyse how the launch of *Right Choice* in India might lead to company growth.

Launch of *Right Choice* in India can be seen as market development in Ansoff's Matrix, where it extends its market over foreign markets with the same time of product, magazine.

Due to the launch of *Right Choice* in India, there was increased sales ~~from~~ of 800% subscribers during ~~2011/12~~ 2012/13, more than 24000.

A knowledge of new India market is crucial in ~~company~~ ^{success of expanding to} a new market. If *Which?* has knowledge about consumer tastes of India, it can enjoy significant growth as ~~so~~ customer need is fulfilled. Expanding may increase the sales revenue of *Which?* and leads to increase in profits overall.

Introducing to new market means there will be more publicity of the business which can increase their brand image and thus increase the sales and encourage growth.

However, by going to India can be also viewed as diversification as *Which?* is publishing new series of magazines and expanding to extremely new market, to India. This involves much of risk as ~~the~~ the business may not aware of India's economic climate which could have been in recession, which will lead to failure in the launching.

There might be other strong rival ^{local} company in India, which can make *Which?* difficult to success. Also, ~~going~~ ^{expanding} its markets may need huge investment which can take away company's profit.

However, *Which?* has a risk team to minimise the risk, which protects brand reputation in all markets and sectors, ~~which~~ ^{therefore,}

the risk associated with expansion will be minimised. *Which?* is also a professional and expertise in the fields of magazine so it is less likely to fail in matching consumer tastes in India.



ResultsPlus Examiner Comments

This answer is an example of candidate going beyond the scope of the question asked, giving some evaluation, for which they receive no marks.

Question 4

Some candidates missed the point of the question and wrote a whole page about digital technology, its hardware and software (clearly a topic of great interest for many candidates) in abstract terms, not relating it or applying it to the business concerned. Although these may have been very well written answers, they were limited to lower level marks as the candidate misses the focus of the question which was about the extent to which technology could help *Which?*'s business growth. To gain higher marks candidates should have focused on the value of technology to the business, rather than the technology itself.

4 Business growth is a key element of *Which?*'s corporate strategy.

Assess the extent to which technology could help *Which?*'s business growth.

(10)

Company growth can be inorganic or organic.

Organic is when the company expands by increasing expanding production and volume of goods produced or amount of services offered.

Which?, has grown organically as it expanded its amount of products and ~~services~~ services offered across the market. This is done by launching Ipad and Android apps that allowed for easier access to customers and as a result more people starting reading *Which?* magazines. The launch of app in iPhone had helped people write reviews and share with others which helped to spread the word-by-mouth for *Which?* magazines. This was also the company's corporate strategy, as the company, *Which?*, grew. It is given that the amount of subscriptions increased by 24,000 in 12 months from June 2012 to June 2013. This indicates that technological improvement in *Which?*'s sales helped it to become more known in market and as a result *Which?*

expanded and achieved its corporate strategy
~~which was to~~.

However, there is always extent to which
this ~~tech~~ improvement in technology for products
can help ~~comp~~ which? grow. ~~It is crucial~~
~~that its costs are kept under control~~

There can be increase in costs associated with
this no matter of the revenue. This can result
in loss for which? in case

(Total for Question 4 = 10 marks)

if ~~it~~ generates less revenue than its costs.

~~The~~ In addition, in evidence A it is given that
which? does not accept advertising. However,
launching apps in stores is a type of
advertising and promotion. This could lead to
a conflict between ~~the~~ which? consumers,
as the company ~~it~~ mentions it does not
accept advertising but launches apps
in ~~the~~ social media.

In conclusion, the accompanying costs are kept
under control and hence ~~the~~ which? is
generating profit of ~~€~~ € 18.4m.



ResultsPlus Examiner Comments

The answer was placed in Level 4 as it gives a balanced view, some application, analysis and finally an evaluation of the situation.

Question 5

This is another question where weaker candidates wrote all they knew about the subject that they identified within the question - contingency planning as a business practice - but failed to apply their answer to *Which?* or any other business. At this level, candidates should be reading the question and applying what they know about the use of contingency planning to the business as described in the evidence provided i.e. an international publisher that is taking a risk by entering a new market with its product, rather than just expanding what is meant by 'contingency planning' or just giving graphic examples of disasters to avoid.

5 Evidence E outlines *Which?*'s awareness of the need for contingency planning.

Assess the importance of contingency planning for a business such as *Which?*

(12)

Contingency Planning is what the business makes and uses if a crisis arises and they need a back up plan to get them out. *Which?* uses a range of contingency planning, like adopting a robust legal approach to protect their brand, so if anything was to affect their business they would have a reliable second plan to help them and not let their business fail.

A contingency plan is important to *Which?* as they expand on a global scale and start operating in a new country which can cause many negative effects for a business if they go wrong.

Which? need a contingency plan for when they expand into new markets and sectors, because they grow organically and carries out charitable work, their costs are high and not all profits go back into the business, so they have less money to rely on if something were to go wrong. If in India, a huge financial crisis arose and nobody was buying magazines, *Which?* would lose consumers and then start losing money. They don't rely on government funding so *Which?* could be forced to abandon the Indian market and return home. But by having a contingency plan, ~~which~~ ^{the business} could have had this planned for, so they ^{know} ~~planned~~ what to do in this situation and they don't have to return home.

Although contingency planning isn't always reliable ~~there~~ because most 'back up plans' are said not to work and unexpected

Situations cannot be planned for. Even if Which? did have a good contingency plan, the effect of the situation may be too big and have a serious effect on the business, which so they can't get out of. Contingency planning may provide false hope, so Which? may bounce into a new market thinking if it goes wrong then they have their contingency plan but the contingency plan may not be good enough to get the company out.



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Examiner Comments

This candidate gained 8 marks and apply the question to *Which?*

Question 6

As seen in previous Series, some candidates just produced a page of calculations, irrespective of their relevance, and with little to no assessment, and merely commented that the figure for one year was higher or lower than the other year. Although candidates did not have the evidence to explain why such changes may have occurred, wild speculation is no substitute for considered commentary on the figures produced. To move into higher levels and consequently higher marks, candidates not only need to have carried out calculations but should be analysing their results and evaluation what this means for the business

- 6 Using Evidence F, evaluate the extent to which profitability can be used to assess the performance of *Which?* between 2009 and 2013.

(20)

Profitability is knowing how successful is the business from turning sales into profit effectively.

2009/10

$$\begin{aligned} \text{Gross Profit} &= \text{Revenue} - \text{Cost of sales} \quad \# \text{ (in £'000)} \\ &= 69879 - 42481 = \text{£} 27398 \end{aligned}$$

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Sales Revenue}} \times 100$$

$$= \frac{27398}{69879} \times 100 = 39.2\%$$

2010/11

$$\text{Gross Profit} = 74478 - 42164 = \text{£} 32314$$

$$\text{Gross Profit Margin} = \frac{32314}{74478} \times 100 = 43.4\%$$

2011/12

$$\text{Gross Profit} = 78421 - 43463 = \text{£} 34958$$

$$\text{Gross Profit Margin} = \frac{34958}{78421} \times 100 = 44.6\%$$

2012/2013

$$\text{Gross Profit} = 83660 - 83806 = \text{£} -146$$

$$\text{Gross Profit Margin} = \frac{-146}{83660} \times 100 = 0.17\%$$

The profitability of 'Which?' has significantly reduced from its gross profit in 2009/10 to gross profit in 2013 that is, 39.2% to 0.17% respectively.

~~Gross profit~~ There is also a gross ~~pro~~ loss in 2013 of £ -146,000.

This shows that the performance of the business has ~~not~~ not been good. This may be due to increasing cost of goods sold due to buying quality materials to provide improved and good quality of ~~pro~~ magazines to the customers. It could also be due to ~~decrease in sales revenue~~ because of charging low price to the customer in order to increase its sales, ∴ 2009 its sales revenue was £69,879,000 and in 2013 it was £ 83,660,000.

~~Also judging & commenting the perfo. Subscriptions of the Also the business invested £3.9m in their new business this may be one of the reasons for low business has increased in~~
Achieving growth of the Right choice magazine in India has been difficult in 2012. It may be due to negative external influences. Maybe a recession in India and this reducing disposable income of the in. for ~~or~~ consumers, due to which it ~~is~~ had to cut their customers had to cut their expenses and ~~the decrease~~ decrease sales.

1226,000	to	1416,000	suggesting a good performance of the
in 2009		in 2013	business.

∴ Commenting on the business performance only by financial position ~~&~~ not of the business is not enough. Financial position is just a snapshot and hence judgement made on it not be in context. ~~which is~~ Also the figures are out of date in order

to ~~analyse~~ ^{assess} the performance of 'which?' more up-to-date figures are needed also ~~comparison~~ additional evidence need to be drawn out to comment on the changes behind ~~such~~ such figures. Historical data could be used to assess the long-term development / trend of the business. Also comparison with other businesses are need to be made to compare whether all the business in this industry ~~is~~ performance were poor due to change in external factor ~~or~~ ~~or~~ in order to give a more complete picture. However, 'Which?' cost of good sales have increased it should ~~or~~ decrease its 'cost of good sales' ^{while} ~~maintain~~ maintaining its sales revenue may be by using cheaper resources. But this may then decrease the quality of 'which?' products / services.

(Total for Question 6 = 20 marks)



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This is an example of a mid-level Level 4 answer, it includes sufficient knowledge and understanding of the subject of the question, a range of accurate calculation which shows application, there is some analysis and there is sufficient conclusion and evaluation to place it at mid-level 4.

Question 7

Lots of answers consisted on simply copying text from the evidence, some attempting to explain or justify statements made in the evidence that has been copied. Some candidates just described different types of growth strategy in abstract terms, and did not relate what they were writing to the business of *Which?* or the *Right Choice* magazine, as described in the evidence. The evidence is provided for a purpose and candidates are expected to use it to support their analysis and evaluation, to give context to their answers. Candidates who did not use the evidence consequently restricted their potential marks. To get beyond L1 and L2, candidates would have needed to identify the opportunities afforded by the corporate strategy that has seen the launch of *Right Choice* in India.

7 Evaluate the corporate strategy behind the launch of *Right Choice* onto the market in India.

(20)

Corporate Strategy refers to ways through which a business tries to achieve its long-term objectives.

The corporate strategy behind the launch of the *Right Choice* in India includes, designing *Right Choice* to be a completely independent and unbiased magazine.

Clever advertising has also been used to promote *Right Choice* in the Indian market. *Right Choice* also tries to bring an unbiased guide as well as expert buying advices to the customers by conducting various tests on different products, including mobile phones, shampoos and televisions which are all ~~researched~~ measured in different areas such as, durability, energy efficiency and reliability.

All these strategies will help *Right Choice* become more popular in the Indian market and achieve a high market share.

Therefore, leading to higher sales and

profits.

Also, by conducting tests on various products, Right choice might achieve a competitive advantage compared to the rivals.

According to evidence I, Right choice's gross profit also increased from (1,332) in 2009-10 to (1,255) in 2010-11

which might suggest better profitability.

Furthermore, the number of subscribers rose drastically from 3,000 in 2011-12 to 24,000 in just one year. This shows how successful Right choice has been.

However, Right choice has made losses from 2009-12 which could be due to the fact that it is recently published and a lot of money ~~have~~ ^{have} been spent on further development of Right choice and possibly advertising.

Indian market has also undergone transformations in the past 15 years and Indian consumers face too many options which makes it hard for them to make decisions which might be a sign of the existence of competitors even in the newspaper market.

It has also been difficult to achieve growth for the Right choice magazine in India, however certain changes has been made in the marketing approach. These suggest that the corporate strategy behind the launch of Right choice has not been successful, however, Right choice has also shown the potential to grow.



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Examiner Comments

This answer shows knowledge and understanding, some application and analysis. However, does not have the evaluation required to move it into the higher marks of Level 4.

Paper Summary

All questions seemed to work as intended, there was no question that appeared to perform poorly – if the candidates read the question and actually answered what was asked – misreading or misunderstanding on the part of the candidate did result in some long, well-written answers which did not actually answer the question. The questions which demanded shorter answers, 1, 2, 3, are less good at discriminating between candidates.

In general, the higher marked questions helped to discriminate between candidates of different levels of ability; in particular the levels marked questions, 4, 5, 6 and 7 which had greater opportunities for marks from analysis and evaluation.

The 'essay' type questions, 6 and 7, gave the greatest opportunity for candidates to show their subject knowledge and ability to analyse and evaluate a situation and apply their answer to the businesses in the question and evidence provided.

Overall, this paper gave all candidates the opportunity to demonstrate what they had learned from their work on WBS03 and to be given the mark and grade which they deserve.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

Ofqual
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