

Mark Scheme (Results)

Summer 2013

GCE Business Studies/Economics & Business
(6BS04/01)

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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.
- Marks may be awarded for any correct responses, not just the indicative answers which appear on 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.
- The requirement to define business terms is implicit within the questions and marks are awarded for this.
- 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.
- Quality of written communication will be assessed in Section B, Question 7a & 7b. The mark scheme for this question will indicate which strands of Quality of Written Communication are being assessed. The strands are as follows:
 - i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear;
 - ii) select and use a form and style of writing appropriate to purpose and to complex subject matter;
 - iii) organise information clearly and coherently, using specialist vocabulary where appropriate.

Unit 4A: Making Business Decisions

NB for the purpose of marking SuperGroup/Superdry can be taken as synonymous.

Marking Scheme

Question Number	Question	Mark
1.	What is meant by the term 'stakeholder? (Additional Evidence J)	2 marks
	Answer	Mark
	<p>Knowledge up to 2 marks</p> <ul style="list-style-type: none"> • An individual or group that has an interest/impacted by/involved in (1 mark) and is affected by a (business) organisation (1 mark) • Where definition is partial (1 mark), accept one stakeholder example for one mark maximum (1 mark) • 1 mark for partial or vague definition but a valid example lifts to 2 marks. • Any other suitable alternative 	1-2 marks

Question Number	Question	
2.	What is meant by the term 'tactical decision'? (Additional Evidence J)	2 marks
	Answer	Mark
	<p>Knowledge up to 2 marks</p> <ul style="list-style-type: none"> • These are short/medium-term decisions (1 mark) about how to implement strategy (1 mark) e.g. what kind of marketing to have, or how many extra staff to recruit (1 mark) • These are short/shorter-term than strategic decisions (1 mark) that are easier to reverse (1 mark) • These are less complex than strategic decisions (1 mark) and often made by middle managers (1 mark) • 1 mark for partial or vague definition but a valid example lifts to 2 marks. • Any other suitable alternative. 	1-2 marks

Question Number	Question	
3.	Explain one way in which the decision to offer the 20% discount (Additional Evidence J) might fit with SuperGroup's corporate objectives (Evidence B).	4 marks
	Answer	Mark
	<p>Knowledge up to 1 mark</p> <ul style="list-style-type: none"> • Corporate objectives are the business/company-wide goals (1 mark) • To keep the business on track to achieve its aims (1 mark) • They are usually SMART (1 mark) <p>Application up to 1 mark</p> <ul style="list-style-type: none"> • Superdry has an objective of internet sales to be 20% of the Group's revenue (1 mark) • Offering a discount only available online (1 mark) • Maximising revenue without compromising brand quality (1 mark) • Participation from overseas websites (1 mark) <p>Analysis 2 marks</p> <ul style="list-style-type: none"> • Aimed at encouraging more/new customers to buy from the store (1 mark) which would lead to an increase in sales revenue/volume (1 mark) • Aimed at encouraging customers to visit the website to obtain the voucher (1 mark) which might also lead to increased sales in store (1 mark) • Also helps to attract young purchasers who are also part of the target market for growth (1 mark) as these customers may be more likely to shop online (1 mark) <p>NB – second analysis point needs to make the link to an increase in sales revenue/profit for Superdry.</p>	<p>1 mark</p> <p>1 mark</p> <p>2 marks</p> <p>Total (4marks)</p>

Question Number	Question	
4.	Explain one way in which Superdry's expansion (Evidence C) might lead to diseconomies of scale.	4 marks
	Answer	Mark
	<p>Knowledge up to 1 mark</p> <ul style="list-style-type: none"> • Diseconomies of scale occur when the Average cost/cost per unit of a product/service begins to rise (1 mark) <p>Application up to 1 mark</p> <ul style="list-style-type: none"> • Superdry is expanding its stores and concessions in the UK (1 mark) • Superdry is expanding in Europe and the far East (1 mark) • UK stores have grown from 12 to 60 • UK concession have grown from 1 to 75 • CNC is being taken over (1 mark) <p>Analysis up to 2 marks</p> <ul style="list-style-type: none"> • The CNC takeover might lead to duplicate roles (1 mark) and slows down communication (1 mark) • The CNC takeover might lead to duplicate roles (1 mark) which adds to costs (1 mark) • Employees may lose motivation (1 mark) as the brand moves more away from its roots in student culture (1 mark) • Store expansion will add to Fixed Costs (1 mark) which is likely to increase Superdry's Average Costs • Managers may lose control of what happens in store due to the expansion (1 mark) which may lead to inconsistency such as stock purchasing decisions (1 mark) 	<p>1 mark</p> <p>1 mark</p> <p>2 marks</p> <p>Total (4 marks)</p>

Question Number	Question	
5. (a)	Using Evidence H calculate SuperGroup's Acid Test Ratios for 2010 and 2011	4 marks
	Answer	Mark
	<p>Knowledge, up to 2 marks</p> <p>Acid Test ratio = $\frac{\text{current assets}-\text{stock}}{\text{current liabilities}}$</p> <p>Some understanding of Acid Test/liquidity - allow 1 mark</p> <p>Application, up to 2 marks (1 mark per year)</p> <p>Acid test ratios: 2010: $45.9/24=1.9$; 2011: $67.9/42.7=1.6$</p> <p>NB:</p> <ul style="list-style-type: none"> Award 4 marks for correct calculations without method shown. 	<p>2 marks</p> <p>1 mark 1 mark</p>

Question Number	Question	
5. (b)	Assuming the industry average Acid Test Ratio is 1.2, use your results to (a) to comment on SuperGroup's liquidity position.	4 marks
	Answer	Mark
	<p>Application up to 2 marks</p> <ul style="list-style-type: none"> Both Acid Test figures (1.9/1.59) are higher than industry average of 1.2 The figure has dropped by 0.3 2011 figure shows declining liquidity from 1.9 to 1.59 <p>Analysis up to 2 marks – interpreting results</p> <ul style="list-style-type: none"> Company well able to pay for current liabilities (1 mark) as current assets exceed these (1 mark) Stocks and debtors have both increased hugely in one year (1 mark) which could be explained by their store growth (1 mark) Evidence H suggests there is a large level of cash being held (1 mark) which may be related to expansion plans and need to finance these (1 mark). More stock in 2011 (1 mark) may be due to unsold stock due to less sales in the recession (1 mark) <p>OFR applies to analysis</p>	<p>2 marks</p> <p>2 marks</p> <p>Total 8 marks</p>

		Question	
6.		Superdry's history is one influence on the corporate culture of the company. Assess the likely impact of company history in shaping Superdry's corporate culture.	
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of corporate culture or factors influencing it (competitors, demographic changes, world recession, ethical consumerism, Plc status, owners' attitudes).	<ul style="list-style-type: none"> • Culture is 'the way things are done around here' • Set of norms and values that employees in particular follow • Can be categorised: role; power; task etc.
Level 2	3-4	Answers should be applied to Superdry's history and/or culture (evidence A).	<ul style="list-style-type: none"> • Superdry grew from Cult clothing which itself began as a clothes retailer in university towns • Superdry only started in 2003 and has grown quickly • Refers to Julian Dunkerton now represents a power culture
Level 3	5-6	Candidate analyse using reasons/causes/consequences/costs of the history being linked to culture. Cap at 5 for analysis not in context.	<ul style="list-style-type: none"> • The target market and the way that the product has been adopted by famous people might affect the culture as its seen as a 'cool' place to work • Young workers are likely to be recruited to reflect the brand image and this will affect the culture of the business • The values of Superdry are still being formed and this will make the culture more fluid than more established businesses
Level 4	7-10	<p><u>Low Level 4: 7 marks</u> Two-sided argument, but only one side in context.</p> <p><u>Mid level 4: 4 - 8 marks</u> Arguments for and against history playing an important role in culture, both sides in context.</p> <p><u>High Level 4: 9-10 marks</u> Expect to see convincing evaluative points with a conclusion.</p>	<ul style="list-style-type: none"> • Company history is only one element of a corporate culture: the influence of SuperGroup's founder Julian Dunkerton will be important • Other factors such as the nature of the market in which they operate, which is rapidly changing and competitors such as Hollister and Abercrombie will also influence the culture • It is more likely that the business's rapid expansion and recent stock-market flotation will have the biggest influences on culture as this adds pressure for results and can affect employee relationships as a result.

NB – 'other factors' might include:

- Julian Dunkerton (working on his own)
- Age profile of staff
- Nature of the product/marketing
- Type of customer (age/students)
- Economic climate
- Ethics/CSR

Section B

Question Number	Question		
7.(a) QWC i-iii	Assess Superdry's corporate strategy with the aid of Porter's strategic matrix .		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge of Porter's strategic matrix and or corporate strategy</p> <p>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text</p>	<ul style="list-style-type: none"> • Corporate strategy is the way in which aims and objectives are achieved • Porter identified four main generic strategies: <ul style="list-style-type: none"> -cost leadership: Being the lowest cost producer in an industry – large businesses -differentiation: Business sets out to have a valuable USP which allows high price -cost focus: Being the lowest cost producer in one or more smaller niche markets -differentiation focus: valuable USP in a niche market • Cost or differentiation gives a business a competitive advantage
Level 2	4-8	<p>Candidate applies knowledge of Porter's strategic matrix to Superdry's corporate strategy.</p> <p><u>Low Level 2: 4marks</u> Application is weak.</p> <p><u>Medium Level 2: 5-6</u> Application of two categories of Porter's matrix to Superdry's corporate strategy</p> <p><u>High Level 2: 7-8 marks</u> Detailed application of Porter's matrix to Superdry's corporate strategy.</p> <p>The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar</p>	<ul style="list-style-type: none"> • Superdry use a differentiated approach • Superdry sell products aimed at the youth consumer market • Products are not cheap, but nor expensive • Its brand provides the competitive advantage • Strategy is expansion through growth in UK stores and European expansion <p>Five forces are relevant, only if explained as the reason for adopting a generic strategy.</p> <p><u>Ansoff/Five forces only, cap at 6.</u> i.e. Application – 4marks Analysis – 5marks Evaluation – 6marks</p>

<p>Level 3</p>	<p>9-14</p>	<p><u>Low level 3: 9 – 10 marks</u> Candidate will attempt very basic analysis of the link between Porter's matrix and Superdry's strategy.</p> <p>One reason/cause/cost and /or consequences is outlined.</p> <p>Cap at 7 for no context.</p> <p><u>Medium level 3: 11 – 12 marks</u> Candidates looks at two of reasons/causes/costs and/or consequences between Porter and Superdry's strategy.</p> <p><u>High Level 3: 13 – 14 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined.</p> <p>Answer will be one-sided.</p> <p>The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</p>	<ul style="list-style-type: none"> • Superdry's (Cult clothing) target market started off as quite narrow, which would suggest a 'differentiated focus' approach • As Superdry has expanded, it has become more differentiated with a broad/mass focus, which with a strong brand, endorsed by celebrities could be successful • Previously Superdry hasn't fallen into the trap that Porter warned of when a business tries to be differentiated and lead on cost • As the business has expanded it has worked on new designs and better quality styling of its clothing – all sources of competitive advantage within a differentiated approach
<p>Level 4</p>	<p>15-20</p>	<p><u>Low Level 4: 15- 16</u> A limited attempt to assess Superdry's corporate strategy using Porter's strategic matrix.</p> <p><u>Mid Level 4: 17 - 18</u> Detailed assessment Superdry's corporate strategy using Porter's strategic matrix which will be based on a range of sources and/or specification areas</p> <p><u>High Level 4: 19 - 20</u> Balanced conclusions and/or recommendations based on sound analysis of the business situation and case study information.</p>	<ul style="list-style-type: none"> • The stockmarket fall could be due to investors worrying that SuperGroup were attempting to focus on cost/price and risked being 'stuck in the middle' as Porter warned. • Differentiation is difficult to maintain if competitors such as Hollister open stores and concessions to follow a similar model to SuperDry • Differentiation requires costs in areas that do not affect uniqueness being kept down – SuperGroup's expansion threatens a cost increase here • Superdry's strategy is likely to be shaped by its phenomenal recent success – this is based on a strong

		<p>Candidate will make a clear conclusion about Superdry's corporate strategy using Porter's strategic matrix.</p> <p>Conclusion will refer to MOPS (Market Objectives Product Situation of SuperDry)</p> <p>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.</p>	<p>brand supported by celebrities, with products priced reasonably, but if the brand is becoming over-exposed/common then the differentiation is lost</p> <ul style="list-style-type: none"> • Its competitive advantage seems to be more subtle than those suggested by Porter e.g. it spreads through word of mouth and people being seen in the clothes, rather than specific advertising. • SuperGroup's growth suggests a movement from a differentiated focus approach to a differentiated/mainstream approach. The danger of this is that that the 'differentiation' will be lost due to the rapid expansion of SuperDry stores and its online presence. The constant evolution of its brand is an attempt to maintain this differentiation, but the fact that SuperDry is reasonably priced, suggests they risk being stuck in the middle.
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Question Number	Question		
7.(b) QWC i-iii	Evaluate the importance of Corporate Social Responsibility to SuperGroup's stakeholders.		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge of Corporate social responsibility and or stakeholders.</p> <p>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text</p>	<ul style="list-style-type: none"> • CSR refers to the extent to which a business accepts obligations to society over and above the legal requirements • This usually refers in particular to treatment of employees, the environment and suppliers • Stakeholders are groups with a direct interest in the company's operations
Level 2	4-6	<p>Candidate applies knowledge of corporate social responsibility to SuperGroup stakeholders.</p> <p><u>Low Level 2: 4 marks</u> Application is weak.</p> <p><u>High Level 3: 5-6 marks</u> Application to SuperGroup and its CSR commitments.</p> <p>The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.</p>	<ul style="list-style-type: none"> • SuperGroup has a clear CSR position as outlined in the share offer prospectus • It is a member of the Supplier Ethical Data Exchange • It has expectations about what its clothing suppliers will and will not be involved in.
Level 3	7-16	<p><u>Low level 3: 7 – 9 marks</u> Candidate will attempt very basic analysis of the importance of CSR to SuperGroup stakeholders</p> <p>One reasons/causes/costs and /or consequences are outlined.</p> <p>Cap at 7 for no context.</p> <p><u>Medium level 3: 10 – 12 marks</u> Candidates looks at two of reasons/causes/costs and/or consequences the importance of CSR to at least two different SuperGroup stakeholders</p>	<ul style="list-style-type: none"> • CSR is important to stakeholders such as suppliers because they want to be treated fairly and in a way that does not force them to behave unethically in order to keep the Superdry contracts • Clothing companies are particularly vulnerable to scrutiny from the media and pressure groups over issues such as child labour and sweat shops • Customers do not want to buy clothing that may be supplied by businesses

		<p><u>High Level 3: 13 – 16 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined.</p> <p>Answer will be one-sided.</p> <p>The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</p>	<p>who treat their employees badly</p> <ul style="list-style-type: none"> • Part of Superdry's brand appeal is its newness and the idea of breaking moulds – this would be damaged if CSR policies were broken or not followed • Celebrity endorsers are likely to desert the company if questions are raised about SuperGroup's treatment of its stakeholders.
Level 4	17-30	<p><u>Threshold Level 4: 17-18 marks</u> One limited attempt to evaluate the importance of CSR to SuperGroup stakeholders.</p> <p><u>Low Level 4: 19-21</u> Two attempts made to evaluate the importance of CSR to SuperGroup stakeholders.</p> <p><u>Mid Level 4: 22-24</u> Candidates will recognise that CSR is unlikely to be equally important to all stakeholder groups. <i>At least one distinction made at this level.</i></p> <p><u>High Level 4: 25-30</u> Balanced conclusions and/or recommendations based on sound analysis of the business situation and case study information.</p> <p>Candidate will make a clear conclusion as to whether CSR is likely to be important to SuperGroup and the degree to which it might vary between different stakeholders.</p> <p>Conclusion will refer to MOPS (Market Objectives Product Situation of SuperGroup)</p> <p>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.</p>	<ul style="list-style-type: none"> • SuperGroup's success is based on design, image and price – customers are less likely to be concerned with background issues such as CSR • Shareholders are concerned about the profit performance of the newly-floated business, so they are less likely to be concerned with potentially costly issues such as changing suppliers • Stakeholders such as employees in the UK are more likely to be concerned with the basic wage and working conditions they face than 'higher-minded' issues often covered with CSR • Superdry is not engaged in many activities that damage the environment, so it is less likely to invite scrutiny from pressure groups on this issue • However, Superdry's focus is on growth, so shareholders are interested in how this could affect their returns. If CSR is important, it is likely to be in terms of how suppliers are treated, particularly if they are pressured into increasing supply to support Superdry's growth.

Assessment objectives and Specification coverage

Question No.	Knowledge	Application	Analysis	Evaluation	Total	Specification Coverage
1	2				2	4.3.1.2
2	2				2	4.3.1.6
3	1	1	2		4	4.3.1.1
4	1	1	2		4	4.3.4.2
5	2	4	2		8	4.3.3.1
6	2	2	2	4	10	4.3.1.5
7 (a)	3	5	6	6	20	4.3.1.6
7 (b)	3	3	10	14	30	4.3.1.4
Total	16	16	24	24	80	
Total Required	16	16	24	24	80	

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