



Examiners' Report June 2022

IAL Business WBS13 01

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Introduction

Overall, candidates' performance showed a sound grasp of business concepts. Answers suggested that candidates had been prepared well for this paper. There appeared to be use of business terminology throughout all sections of the paper. The more able candidates demonstrated excellent application of their knowledge to the precise question set, whilst the less able candidates attempted questions from a 'common sense' approach rather than demonstrating any business concepts. The examination paper required candidates to apply their understanding; more able candidates performed strongly, with clear development of points. Examination timing skills appeared to be very good with candidates able to complete all questions set.

It is important to highlight the holistic approach to marking the levels-based questions. It is essential that centres look at these and understand how these are different to the legacy specification. The levels-based mark schemes are applied in a holistic way rather than looking for individual Assessment Objectives. This means that a candidate who attempts evaluation with some context will not necessarily be placed in the top levels and could only achieve Level 2 if the evaluation is weak.

Question 1 (a)

Many candidates struggled with this question and were unable to draw an accurate supply and demand diagram to show the impact of an increase in online fitness workouts on traditional gyms. This examination paper is synoptic in nature and can therefore examine subject content from units 1 and 2, so candidates should be prepared to answer questions from all three units.

This question was marked in the same way as on WBS11 examination paper and 1 mark was awarded for drawing the axes and labelling these 'Price' and 'Quantity' (P and Q was accepted). Marks will not be awarded for 'Quantity Demanded' or 'QD' and it must be labelled 'Quantity' or 'Q'.

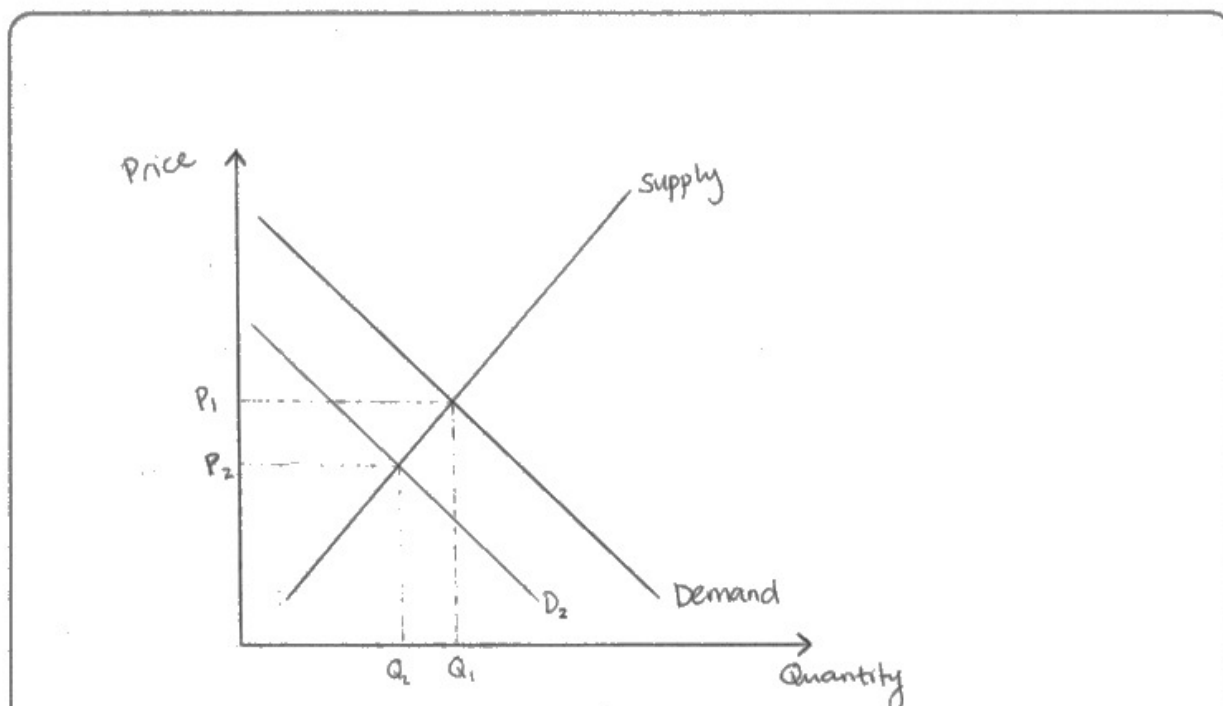
The second mark was awarded for an accurately labelled supply curve, demand curve and labelling the initial price and quantity on the axes. Many candidates did not label the initial price and quantity, so could not gain this mark.

The third mark was awarded for the correct shift of the demand curve and, in this case, it was to the left to demonstrate a fall in demand for traditional gyms.

The fourth mark was awarded for the labelling of the new lower equilibrium price and the new lower equilibrium quantity on the Price and Quantity axes.

- 1 (a) Construct a supply and demand diagram for traditional gyms to show the impact of an increase in online fitness workouts.

(4)





This scored 4 marks and demonstrates the correct diagram.



For a supply and demand diagram, the axes should always be labelled 'Price and Quantity' or 'P and Q'. Do not use 'Quantity Demanded' or 'QD' as this is incorrect.

Always redraw the new equilibrium and make sure you label this on the axes and not at the market clearing point. This response is a perfect example of what your supply and demand diagram should look like in terms of labelling.

Question 1 (b)

Many candidates were able to correctly calculate the operating profit margin figure of 3.73%.

Some candidates did not give their answer to two decimal places or did not include the percentage sign. Correct answers which do not include the percentage sign can only achieve a maximum of 3 marks so it is essential the correct units are always used.

It is advisable to show all workings including the formula. Marks can still be awarded for showing the correct operating profit margin formula and correct workings with an incorrect answer.

(b) Using Extract B calculate, to two decimal places, the operating profit margin for Peloton in March 2021. You are advised to show your working.

(4)

$$\frac{\text{operating profit}}{\text{revenue}} \times 100 =$$
$$= \frac{115 \$m}{3085 \$m} \times 100 = \boxed{3.73 \%}$$



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Examiner Comments

This scored 4 marks and is a great example of how to layout out your answer with the formula, the workings, the answer to two decimal places and the correct units.



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Examiner Tip

Always write out the formula and do not forget to include x 100 otherwise you cannot be awarded the knowledge mark if this is missing.

Show your workings and always give your answer to two decimal places.

Check you have used the correct units – % sign or it could be a monetary value such as £ or \$.

Question 1 (c)

This was a popular question with many candidates able to give some benefits to *Peloton* of having a mission statement. Benefits rewarded were wide ranging and could be applied to any stakeholder group including customers and internal stakeholders such as employees. Many candidates did discuss the benefits in terms of engagement with customers and how this could result in an improvement in brand image and consequently sales revenue. The most popular focus was on the benefits in terms of employee motivation and recruitment.

Unfortunately, some candidates only gave a one-sided response despite this being a 'Discuss' question. This command word does require both sides of the argument even though the question asks for the benefits; a counter argument or balance is required. A conclusion is not required for this question.

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- .

(c) Using Extract C, discuss the possible benefits for Peloton of having a mission statement.

(8)

A mission statement describes the business's values and goals to its consumers and its employees.

Peloton's mission statement is to use technology and connect the world through fitness. Having this mission statement helps employees to be aware of ~~the~~ Peloton's business objectives and they can become united and work together to achieve this goal. Without a mission statement, employees would be confused as to what Peloton does and ~~how~~ what their job entails. Mission statement removes this confusion. Peloton's mission statement also says they want to empower people to be the best version of themselves. This is going to attract customers and make them aware of Peloton's good intentions. This makes it easy for consumers to be aware of Peloton's intentions and ethics and values.

They are likely to buy from Peloton since they claim to have their interest at heart.

However, mission statements are very generic and meaningless. Peloton ~~aims~~ aims to ~~the~~

connect the world through fitness, which is unrealistic and way too high of a goal. Being unable to achieve this goal can be demotivating to employees. ~~in~~ The productivity of employees will decrease as they know their goal is unrealistic and no amount of work will help them achieve it. Moreover, ~~it~~ inability to empower their customers will ~~be~~ disappoint the people and ~~it~~ it became a ~~too~~ contradictory statement that will ~~be~~ embarrassing for Pleton.



ResultsPlus
Examiner Comments

This scored 7 marks and is a great example of a balanced response that is able to not only give the benefits but the drawbacks of mission statements.

There is good use of context on both sides of the argument and the candidate uses the information in the extract to support their answer rather than simply copying it out.



ResultsPlus
Examiner Tip

You do not need to start with a definition and you can still gain full marks without providing a definition for the levels-based questions.

Try to write a balanced answer with context throughout.

A conclusion is not required for the 8-mark question.

Question 1 (d)

This was answered well by the majority of candidates with many able to access the higher levels.

Many candidates were able to show the advantages of inorganic growth in terms of the speed to access new markets, gaining new skills, increased market share and a reduction in competition.

There was very good use of context rather than just copying out of the information which we often see.

The counter argument was focused on the cost of the takeover, possible culture clashes and diseconomies of scale that could arise from this. Often the counter argument lacked context and was generic in nature in comparison to the advantages of inorganic growth.

A conclusion was required, but this was often just a repetition of earlier points and did not come to a judgement.

Candidates must provide a balanced assessment and an awareness of competing arguments to access the higher levels.

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(d) Using Extract D, assess the advantages of inorganic growth for Peloton.

(12)

Inorganic growth is the external expansion or growth of a business, through take over, merging or agreeing to a joint venture with one or more companies. Inorganic growth allows businesses to share resources. Peloton ~~exp~~ taking over Precore means that it can use the businesses resources, including its highly skilled employees, ~~without needing to find one~~ ~~per find~~ This is a benefit to Peloton because it helps to avoid costs as the management team does not need to spend time looking for employees to recruit and they will also not need to ~~use~~ use recruitment costs. This can lead to the ^{Peloton} ~~business~~ being able to exploit economies of scale as ^{it is} ~~they are~~ growing rapidly, while also avoiding ~~many~~ several costs. As a result it could gain a competitive advantage to its smaller ~~businesses~~ ~~or the or~~ rivals, ~~and this~~ which can further link to an increase in market share.

~~Another~~ ~~However~~, Another benefit of inorganic growth is that it enables businesses to reduce ~~com~~ ~~their~~ competition in the market. Since Peloton operates ~~globally~~ and in the fitness industry which is ~~high~~ highly competitive due to the high number of gyms in the world, ~~the~~ reducing competition will highly benefit the business. By acquiring Precore through a take over, Peloton has not only expanded their business, ~~by~~ but reduced competition. ~~This could mean~~ ~~the~~ decrease in competition in the market could mean that

the business has less pressure to invest in the innovation of ~~their products and services~~ ^{gym machinery} machineries and devices, in order to ~~attract more customers and efficiently~~ attract more customers, and ~~successfully~~ ^{efficiently} compete in the market. Furthermore, ~~the size of the business~~ As a result they will avoid innovation costs which means that they can use their cash for other important aspects such as employee ~~in~~ ⁱⁿ incentives to improve motivation, or even invest in market research to better understand ~~the market~~ overseas markets.

However, organic growth may have the opposite effect, and instead provide the business with ~~dis~~ economies of scale. An internal ~~dis~~ economies of scale that Peloton might experience as a result of their large size is difficult and slower communication. The more the business grows the more layers of management it may require, this means that the passing down of information from executives and senior managers to workers lower in the hierarchy will be very slow. This can impact the productivity of Peloton ^{as} ~~if~~ employees may not be able to complete tasks in time if they are not told in time. Furthermore, the distortion of information can also ~~demotivate~~ demotivate employees and could potentially lead to high turn over rates which means additional recruitment costs.

In conclusion, inorganic growth has several advantages and benefits the business in terms of reducing and avoiding many costs as well as gaining competitive advantages. The business can be able to exploit economies of scale due to their size, however the opposite effect of diseconomies of scale can occur as well. However, if Peloton attempts to keep management layers low by making ^{some of} Precor's management team redundant, they can avoid communication errors/distortion.



This response scored 12 marks and is an excellent example of a balanced evaluation.

Context is applied throughout and the evaluation considers the market position of *Peloton* and *Precor* as to whether the advantages outweigh the disadvantages.



There are many ways to evaluate and some candidates prefer to write the advantages and then consider the disadvantages with a final conclusion.

Others prefer to integrate their advantages and disadvantages and the mark scheme is applied holistically, so it does not matter how you evaluate or structure your answer.

Question 1 (e)

Many candidates were able to identify the impact on *Peloton's* internal stakeholders and there was a detailed analysis of how stakeholders such as employees and managers might be negatively impacted by the product recall of the treadmills. Shareholders were also brought into the discussion in terms of the negative impact on *Peloton's* share price immediately after the recall.

It was very pleasing to see very good use of the data provided in the extracts being used to demonstrate the counter argument in terms of the short-term nature of the recall and how the share price did in fact recover after the initial fall. The counter argument often was not as strong or lacking with many candidates only focusing on the negative impact of the recall.

The performance on this question was not as good at Q01(d) and generally candidates struggled to give a valid counter argument which enabled them to access the higher levels. There was some confusion between the business concepts of shareholder and stakeholder and it is vital that candidates are able to differentiate between these.

(e) Assess the possible impact on Peloton's internal stakeholders from the recall of its treadmill.

(12)

Stakeholders are individuals or groups who affect the day to day running of a business. Peloton's internal stakeholders include, employees, managers, directors, shareholders and CEO. With the recall of the treadmill it is certain that all these internal stakeholders were heavily effected. As shown in the case study Peloton's shares ~~them~~ come down by nearly 15%. This is high a major drawback for its CEO. As it shows people were losing hope in the company and the value of the company ~~is~~ was falling. And with the dozens of injured and death of a customer, it is likely Peloton would face major lawsuits in the future. This is likely to result in Peloton losing its funds and many more issues. Which could cause Peloton to reduce growth. This could even result in potential companies entering the market. Employees and managers are also internal stakeholders affected by the recall of the treadmill. It is likely that Peloton would cut costs in order to have more funds. This is likely to result in downsizing, meaning employees would be made redundant and the managers would now have more work and responsibility. This could affect Peloton

heavily because efficiency is likely to fall. Now the shareholders, with the recall the shareholders are the ones with the biggest loss. Because their investments value keeps on falling, which shows the business is losing its worth. This is likely to result in less investors investing in Peloton and the company being valued for less. Also the recall of 126000 treadmills is a large cost for the business. Meaning profits would be super low, ~~shareholders would get~~ investors would get less dividend. Meaning it is likely Peloton loses its investment and would have to slow down its growth.

However it could be argued that Peloton recalling all treadmills might not affect the internal stakeholders to a greater extent. Because once the treadmills are recalled it shows the company took responsibility. Meaning customers are still likely to purchase products for Peloton. And overtime share price would rise ~~meaning~~ because Peloton is the dominant seller in the market. Employees might not lose their jobs, as production still continues and does not stop because of the recall.

In conclusion the recall of treadmills will heavily affect the internal

shareholders of Peloton.

(Total for Question 1 = 40 marks)

TOTAL FOR SECTION A = 40 MARKS



This response scored 9 marks and was able to access Level 4.

There are some detailed chains of reasoning and very good use of data from the extracts to support the evaluation of the impact on shareholders.

The reason it was placed at the bottom of the level was due to the fact it was slightly unbalanced and the counter argument was not as detailed as the main argument.



Use the data from the extracts to help support your evaluations.

The better responses for this question did use the information from the chart to illustrate the impact of the product recall for shareholders in terms of share values.

Data is a very useful way to incorporate context and can be used on both sides of an argument and often it is ignored or not used in answers.

Question 2

This question required candidates to use the data in Extracts F and G and appropriate CPA calculations to evaluate the benefits of CPA.

Some candidates were able to accurately calculate that the project would take 32 weeks from start to finish and could use this figure to demonstrate their knowledge and understanding of CPA. Many candidates were able to identify the benefits of *Coca-Cola* using this business tool to ensure the timely launch of the new recipe going as far to calculate the critical activities and the float available on the activities. Disadvantages were often lacking context, or were generic in nature, but there were some very good evaluations of the use of CPA specifically applied to *Coca-Cola* which was very pleasing to see.

Some candidates were unable to use the data to calculate the project time and only gave an evaluation of CPA. Better candidates could do both and were able to access the higher levels. The quality of the evaluation is key to accessing the higher levels on the 20-mark questions. Some of the better responses were much more selective in their approach, focusing on the depth of evaluation rather than breadth. Better candidates used the information in the extracts to help contextualise responses rather than copy out large chunks. Many of the responses in Level 4 were able to provide an effective conclusion that suggested a solution and/or recommendation.

2 Using the data in Extracts F and G, and appropriate critical path analysis (CPA) calculations, evaluate the benefits of CPA to a business such as Coca-Cola.

(20)

Critical path analysis helps business plan out a timeline for a project and calculate the float time and find critical path ^{so} they can ~~achieve~~ ^{complete} their project as soon as possible and meet their deadline.

Coca-Cola is giving their drink, Coca Cola Zero Sugar a makeover. They have estimated for the makeover to be completed and for the new version of Coca-Cola zero to reach the US and Canada market by September 2021. CPA will help Coca-Cola to plan out all the steps and stages of development and estimate the time it will take ~~it~~ for the project to be completed. With a CPA timeline, Coca-Cola has estimated that the project ~~or~~ makeover will take 30 weeks. This is very useful as they ~~can~~ ^{are} now aware and informed about the timeline of the project and help them keep track of it as it progresses. Without a CPA timeline, Coca-Cola would struggle to manage the schedule of this makeover project as they would be running around to see if a step has been completed and if they are ready to move on. For example: Coca-Cola

might spend 2-3 months test marketing instead of 4-weeks due to mismanagement and the information not being collected efficiently from the test marketing. Employees work more efficiently under a time limit. If they know they only have 4 weeks to finish test marketing the new Coca Cola Zero, then they will work extremely hard to gather as much information as possible. ~~Moreover, CPA~~ A proper schedule and organized plan helps employees to understand the project and know their duties. ~~This~~ ^{CPA} lets them be informed about their work schedule and mentally prepare for it and eradicate doubts and confusion. CPA also helped Coca-Cola to figure out which tasks can be carried out simultaneously to reduce overall timeline of the project. ~~CPA~~ Coca Cola can develop a new recipe and design new drink cans at the same time and only spend 12 weeks all together instead of 20 weeks if they were to tackle the projects one after the other instead of together. Moreover, Coca-Cola is also focusing on their other trademark products like Diet Coke so having ~~the~~ CPA timelines will help them keep track and manage* all their projects and not struggle to ~~be~~ be informed about them. For example: Diet Coke might be

getting some changes too so another CPA timeline can be created for that project so Coca-Cola can do more than one project at a time without fear of disorganization and struggling with time management.

However, critical path analysis is based on past data. The estimated times calculated for each activity ~~and~~ are calculated using past data which might be obsolete as of now. The data used was collected in a time with different ^{being} market conditions and economic climate so they might not be accurate now. These inaccurate time estimates can be demotivating for employees. Coca-Cola employees might believe that it is because of their incompetency that they are unable to complete the task in the allotted time when in reality, it is a problem with the calculation. This demotivating attitude will affect their productivity. And demotivated employees will work slower, increasing the timeline of the project even more. Moreover, critical path analysis does not account for external factors that can cause delays ~~in~~ to their project. For example: The ingredients required to make Coca-Cola Zero Sugar according to their new recipe might be getting shipped

from overseas and these overseas imports might get delayed due to political conflicts or weather conditions etc. So this delay will cause further delays as production of the new version of Coca-Cola will take longer and then it will take longer for those finished new drinks to reach the stores in US and Canada. Coca-Cola will definitely not ~~make~~ meet their ~~est~~ ^{deadline} of September 2001. External delays are extremely important in a project timeline and they are completely ignored in CPA. Additionally, CPA is expensive and time consuming as market analysts and project managers will need to be hired to conduct this critical path analysis and it will take time to gather appropriate information.

In conclusion, CPA will help Coca-Cola to plan out their makeover project of Coca-Cola Zero Sugar and help them with time management.

But CPA is often obsolete when market conditions change slightly and the estimated times will no longer be accurate. So all the time and money spent on CPA might be for nothing.



This response scored 20 marks. The response not only correctly calculates the project duration of 32 weeks, but gives a very detailed evaluation of CPA with superb context and application to *Coca-Cola*. There are some very perceptive comments made and an appropriate conclusion drawn.



For the 20-mark questions, an effective conclusion that proposes a solution and/or recommendations is required.

Often this is not seen or if there is a conclusion, it is just a repetition of earlier points.

Make your conclusion count and answer the question set – in this case – do you think the benefits of CPA outweigh the disadvantages of this business tool for *Coca-Cola*? There is no 'right' answer, but we are looking for the ability to come to a judgement based on the evidence available.

Question 3

This was a very popular question with many candidates able to access the higher levels for their evaluation of financial rewards.

It was very pleasing to see the use of motivational theorists such as Taylor, Maslow and Herzberg to support either side of the argument. Some candidates did misread the question and evaluated who was the better employer between *Amazon* and *Levi's*.

A conclusion was required for this question and many candidates were able to make a judgement as to which would be the better method to use to recruit and retain employees. Often the importance of culture and working conditions was considered as a counter argument and this was indeed rewarded. Overall the performance and the quality of evaluation was significantly better compared to Question 2.

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SECTION C

x2 PEACH
x1 DISCOM

Read Extract H in the Source Booklet before answering Question 3.

Write your answer in the space provided.

- 3 Evaluate the importance of financial rewards to recruit and retain employees for a business such as Levi's.

(20)

Financial rewards are a range of tangible or intangible rewards given to praise or motivate employees. An example of a tangible financial reward may include cash, whereas an intangible reward may include shares in the business. I will be looking to evaluate the importance of financial rewards on retaining and recruiting employees for a business such as Levi's.

Financial rewards are of great importance to an international business such as Levi's. According to several motivational theories, financial rewards are a good way of ~~retain~~^{retaining} and recruiting employees. Specifically when searching for a job, most individuals are likely to apply for jobs based on wage and salary. If Amazon have a high and attractive starting wage of \$15 as of 2015, which is more than double the US national minimum wage they are likely to attract workers in the same industry as Levi's. This may lead to higher rates of labour turnover if employees are motivated by financial rewards from Levi's. If Levi's can offer more valuable financial rewards then perhaps they can recruit and retain higher labour. Perhaps if Levi's can not compete with Amazon on higher wages they

can offer shares. This is a great financial reward because it motivates employees to work hard and improve performance of the company. As performance increases, share prices tend to increase leading to high monetary value for employees. However, we know from Maslow's motivational theory that financial rewards are not likely to be the main motivation for workers. ~~Therefore, if Levi's can do~~ Furthermore, workers motivated by financial rewards expect constant increases with finance, such as rising wages which is costly for a business.

On the other hand, I think that corporate culture is more beneficial for a business such as Levi's. Levi's is a iconic and well established brand being around for "168 years". This works to their advantage. A more established and traditional brand shows not only consumers but workers that they can survive and thrive for a long time. If Levi's can adopt a strong culture, it will not only retain current employees but will also attract new ones. Furthermore, Amazon is renowned for its harshness on workers with little breaks. If Levi's can offer better working condition in a nicer environment than it may cause labour retention problems for Amazon. Levi's offers health care benefits, this is a strong non-financial reward which is attractive to workers. However, more are needed in order to have the advantage of Amazon. Examples may include, longer leave times, better employee training and higher promotional opportunities. Overall, despite financial rewards being attractive in the short run

I believe that to truly have high employee retention and recruitment rates, non-financial objectives should be developed as well as strengthening the corporate culture.

In conclusion, I believe that financial rewards are of small importance for a business such as Lewis for retaining and recruiting employees. The small importance financial rewards has is predominantly short-term as motivational theories have proven so. Workers benefit much more from a strong business culture as well as promotional opportunities. Motivation is also at its highest when workers feel they are recognised and making a difference. Lewis may consider using a financial reward system such as employee of the month, where if workers stand out through hard work they are recognised and rewarded. However this can risk demotivating other workers.



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Examiner Comments

This response scored 18 marks and is a great example of a Level 4 response with balanced evaluation, context throughout and an excellent use of business theories to answer the question set.



Try to incorporate as many business concepts as possible rather than answer from a common sense approach.

Often, the responses for the 20-mark questions lack business theories and are largely descriptive in nature.

Show the examiner your knowledge and understanding of business theories and concepts rather than just copying out large chunks of the extracts.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Read the questions carefully in terms of the command words. It was clear that some candidates were not aware of the demands of the question or how to structure their responses.
- Quantitative skills will be tested throughout the paper and these may be in the form of calculations, diagrams or using the data from the extracts.
- For calculation questions, it is essential that the answer has the correct units or is to two decimal places.
- Discuss – this question requires both sides of an argument and is not one-sided. A conclusion is not required.
- The command words 'Assess' and 'Evaluate' are evaluative command words, so candidates must provide both sides of a business argument in order to achieve full marks with a supported conclusion.
- Use of relevant context is required throughout and this can be from the extracts provided or using examples provided by the candidate themselves. The extracts are there for a reason – so use them. However, do not copy out large sections of the extracts. For application to be rewarded, it must be used and integrated into the response rather than separate.
- Use business concepts rather than generic 'common sense' answers.
- Examination timings – make sure there is enough time to answer the 20 mark questions in Section B and Section C.
- The 'Explain' questions will always have two application marks, so ensure that there is enough context in the response to gain both marks.
- Do not define the key term in the 'Explain' questions. The knowledge mark is for the reason, the impact or the aim.

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