



Mark Scheme (Results)

Summer 2022

Pearson Edexcel GCE A Level

In Business (9BS0)

Paper 03 Investigating business in a competitive environment

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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	Indicative content	Mark
1(a)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Induction training to familiarise the 1,000 new employees with operations; for all staff given the health and safety implications of the event and need to quickly become effective • Off-the-job training away from the workplace is more likely at first, given that the Games will only take place during a fortnight in the summer months of 2022 • Off-the-job is likely to be professional led by Gi Group, a world leader in human resource management • On-the-job more effective as employees will learn as they work alongside existing 'experts' e.g. admin, marketing, security. <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none"> • Induction training may be too general and not related to a specific job role e.g. customer service at the event, and therefore not necessarily effective for a wide range of roles • Off-the-job training can be more costly, given the scale of the 1,000 workforce over the planned two weeks • Experienced workers who provide the on-the-job training may be very effective, but may not be practical because they will be too busy dealing with the 30,000 spectators at each session. 	(8)

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Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effects(s) but may be assertions or incomplete. An attempt at an assessment is presented, that is unbalanced and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.

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1 (b)	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> ● Capacity utilisation is a measure of the percentage of full capacity used at any one time ● In the case of Alexander Stadium, its spectator capacity of 30,000 (determined by seating and health and safety legislation) ● Average fixed costs such as cleaning and security will tend to fall as the numbers of spectators rises. Higher utilisation can reduce unit costs, making the Athletics Stadium more cost effective ● The Games represent a once in a lifetime opportunity for many spectators, so having 30,000 seats filled as often as possible at each session is vital to try to maximise revenue from ticket and merchandise sales. ● Packed stadiums for sporting events can add atmosphere and make the experience more enjoyable for spectators <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none"> ● 30,000 spectators may put pressure on catering facilities which might cause some disappointment amongst spectators unable to get a drink or food during the appropriate 'breaks' ● 30,000 spectators may cause the cleaning teams/security to be overworked and may be more likely to lead to health and safety issues <p><i>Possible judgement</i></p> <ul style="list-style-type: none"> ● Depends very much on the adaptability of facilities and staffing and how well they are prepared for the more popular events, such as the men's 100m final. ● Operating below capacity may mean that some costs may not be covered during the less popular events, e.g. the fixed costs associated with catering such as heating and salaries. 	(10)

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Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

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1(c)	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> ● Assessment of a country (and city) as a production location can be determined by skills and availability of workforce, infrastructure, government incentives, ease of doing business, political stability, likely return on investment <p>Application re Birmingham and UK</p> <ul style="list-style-type: none"> ● Birmingham is the second biggest city in the UK and is therefore more able to furnish the 1,000 workforce ● UK Government prepared to subsidise the cost of hosting the games, e.g. £112m towards the cost of the Alexander Stadium redevelopment. Local councils also prepared to fund, e.g. Sandwell Council – Aquatics Centre in Smethwick (£73m) ● Located centrally amongst excellent road network and other transport links (rail and airport) ● Resources already exist – e.g. Birmingham’s Alexander Athletics Stadium was redeveloped <p><i>Potential counter-balance</i></p> <ul style="list-style-type: none"> ● Assumes that Birmingham UK will be able to fill the 1,000 vacancies, which may become available, with suitably skilled applicants ● Infrastructure may not be able to cope given the number of athletes and spectators who will be landing in the summer of 2022, from 76 Commonwealth countries ● Opposition from local Birmingham residents who may be opposed to the extra traffic congestion/pollution both before and during the Games ● There are limitations in the data; there may have been more generous government support from other Commonwealth countries, such as Canada. <p><i>Possible judgement</i></p> <ul style="list-style-type: none"> ● Since the hosting of the Games is an opportunity to ‘Drive sustainable economic growth and aspiration; creating opportunities through trade, investment, jobs and skills’ it was important to have a location where this was needed. Perhaps Birmingham and the UK warranted such a choice. ● Depends whether or not the Games will actually ‘transform and strengthen local communities’ and ‘deliver new and improved homes and facilities’. They may cause bottlenecks and diminishing returns (poor returns on the investment, as with Glasgow and Manchester CG) 	(12)

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Level 4	9-12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
1(d)	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p style="text-align: center;">Marks for application and analysis include up to 4 marks for quantitative skills</p> <p>Quantitative skills assessed:</p> <p>QS8: use and interpret quantitative and non-quantitative information in order to make decisions QS9: interpret, apply and analyse information in written, graphical and numerical form.</p> <ul style="list-style-type: none"> • Stakeholders are those people or groups who have an interest in the actions of a business. They include owners, employees, customers (spectators), suppliers, the local community, pressure groups (Sport England), local (Sandwell) and central government. <p>Directors’ objectives of jobs and investment</p> <ul style="list-style-type: none"> • Government expects to receive a return on their investments, e.g. £112m towards the cost of the Alexandra Athletics Stadium redevelopment • Given the overall cost of the Games (£778m capital cost alone), directors would prioritise the recovery of the capital cost • Opportunities to make profits from the Games to be regarded as successful, e.g. through hospitality and catering. Especially welcome given the economic downturn in the UK • Opportunities for longer term returns from the continued use of venues such as the 18,000 capacity stadium <p>Other stakeholder objectives</p> <ul style="list-style-type: none"> • It is a well-documented legacy of other international sporting events, e.g. the London Olympics, that by hosting events you encourage the regeneration of the local area through new housing and better infrastructure • Birchfield Harriers and the local sports community will have improved facilities which should help improve the performance of and outcomes for the athletes. • Local councillors may believe that athletes provide a role model to society to live healthily. This could have positive consequences for the local community and society as a whole • The Games should represent an opportunity to upgrade the UK venues to make them fit for purpose and possibly host international events. 	

Possible recommendation

- Inevitably there will be conflicts between stakeholder groups. You might argue in this instance that the shareholders are the public sector organisations who have given a significant amount of funding towards the Games so there needs to be longer term benefits to the UK economy and Birmingham community
- It is important to keep key stakeholders interests in mind, otherwise the Games might not have taken place given a potential lack of funding, e.g. Government and local councils

Examples of possible 'MOPS' recommendations

Market – The Games may provide more opportunities for smaller businesses to thrive and contribute to the overall economy due to the extra visitors. This links to the Directors' objectives of jobs and investment

Objectives – The Games 'Vision and Mission' is clearly about meeting the needs of a range of stakeholders which is what enabled Birmingham and the UK to be chosen to host the Games in 2022

Product – Facilities will naturally be improved or newly built (Sandwell Aqua Centre) which will benefit athletes in the short term but the community of Sandwell in the longer term

Situation – the growth in obesity and sedentary lifestyles means the Games can be used to reduce this by highlighting the importance of local people participating in sports

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Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/effect(s) are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. Quantitative and qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and qualitative information 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 recommendations.

Question Number	Indicative content	Mark
2(a)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Cost-plus, competitive, skimming, psychological • Factors which determine pricing strategy choice include PED, USPs, differentiation, competition, brand strength, stage of product life cycle, costs and the need to make a profit <p>Suitable for Northfield Cycles:</p> <ul style="list-style-type: none"> • Competitive pricing so that they can compete with rivals like Action Bikes in order to retain or gain new customers • As Northfield Cycles stocks and sells well known branded cycles like Giant, then they may be able to charge skimming prices as new bikes are launched every year to take advantage of those on high incomes and with a passion for cycling who want the 'latest' model at over £1100 • Cost plus pricing could be used as it takes into account the need to cover costs, which would probably make the bikes more affordable for those on low incomes, whilst still ensuring a profit for Richard who has low overheads <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none"> • But Action Bikes is now closed so competition is less of a consideration • High performance, Giant branded cycles might only form a small fraction of NC's total sales, so using this to determine a price skimming policy would not be an appropriate strategy for use with most local customers who may be on low incomes • Unemployment levels may not be high any longer. That, coupled with the various UK Govt schemes, might mean that thinking about costs or PED may not be as appropriate to determine the price strategy 	(8)

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2(b)	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> ● Protectionism can include tariffs, quotas or other trade barriers such as government legislation, admin checks or domestic subsidies <p>Does affect:</p> <ul style="list-style-type: none"> ● Given that Northfield Cycles imports ALL of its stock, especially from the Far East, protectionism like tariffs could increase Richards' purchasing costs ● Quotas might restrict the supply of bikes to NC, which might disappoint some customers, lead to a fall in sales volume and therefore sales revenue ● Subsidies on the part of the Chinese Govt might make the effective costs lower and therefore prices of Chinese bikes cheaper than those sold from Taiwan or Germany. This may in the long run reduce consumer choice as the Taiwanese, and German bikes go out of business <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none"> ● It very much depends on whether the importing companies or suppliers like Giant were prepared to absorb the extra costs caused by the imposition of tariffs ● If the bikes were imported from Germany, thanks to the post-Brexit trade deal, then tariffs would not apply in any case. So Richard need not increase the price of his bikes <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> ● If the protectionism was to cause an increase in price and price was the most important determinant of demand, then sales might suffer. ● On the other hand, if a bikes quality and functionality was more important to the consumer e.g. Giant, then sales might not suffer significantly, neither would NC's sales revenue. 	(10)

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2 (c)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> ● External influences can be economic (inflation, exchange rates, interest rates, taxation and government spending, uncertainty), stem from legislation (consumer protection, health and safety) or the competitive environment. <p>Significance to NC’s future success:</p> <ul style="list-style-type: none"> ● The UK Government’s Cycle To Work Scheme effectively reduces the price of bikes to employees, so this should increase the demand for bikes ● If the BoE reduces interest rates, then this may enable some people to borrow money to buy NC’s more expensive electric bikes using a cheaper loan, causing sales at NC to increase ● Consumer protection legislation may protect the rights of consumers to buy a bike as described and fit for purpose. If Richard sold a bike which met such legislation, then his reputation may not suffer caused by the otherwise extra distribution and replacement costs <p><i>Possible counter-balance:</i></p> <ul style="list-style-type: none"> ● Not all consumers will have access to the Cycle To Work Scheme as they may not employees who might qualify for the savings, which means that sales may only increase marginally ● Low interest rates may have only a limited effect because consumers may simply prefer to buy a second-hand bike or have their old bike repaired using the Government’s Fix Your Bike scheme <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> ● It very much depends on the economic climate as to how much of an impact an external influence might have on NC. If unemployment is still high in Northfield, then people may not have the income to buy bikes, which sell at an average price of between £900 and £1100. ● Many of the bikes sold by NC may be luxury goods, in which case the prices of competitors will be less of a consideration in the purchasing decision such as for high performance Giant bikes. 	(12)

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2 (d)	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Marks for application and analysis include up to 6 marks for quantitative skills</p> <p>Quantitative skills assessed:</p> <p>QS7: calculate investment appraisal outcomes and interpret results</p> <p>QS8: use and interpret quantitative and non-quantitative information in order to make decisions</p> <p>QS9: interpret, apply and analyse information in written, graphical and numerical form.</p> <ul style="list-style-type: none"> • Payback = 3 years for Project A, 3 ½ years for Project B • NPVs = <table data-bbox="411 835 794 1227"> <thead> <tr> <th><u>Plan A</u></th> <th><u>Plan B</u></th> <th></th> </tr> </thead> <tbody> <tr> <td>2727</td> <td>10908</td> <td></td> </tr> <tr> <td>3304</td> <td>12390</td> <td></td> </tr> <tr> <td>3755</td> <td>15020</td> <td></td> </tr> <tr> <td>4098</td> <td>17758</td> <td></td> </tr> <tr> <td>3105</td> <td>17388</td> <td></td> </tr> <tr> <td>16989</td> <td>73464</td> <td>DCF</td> </tr> <tr> <td></td> <td></td> <td>Capital</td> </tr> <tr> <td>12000</td> <td>60000</td> <td>Cost</td> </tr> <tr> <td><u>4989</u></td> <td><u>13464</u></td> <td>NPVs</td> </tr> </tbody> </table> <p>Plan A</p> <ul style="list-style-type: none"> • Pays back in 3 years not 3.5 years so if the money was borrowed then less interest payable, if retained profits were used then 6 months less opportunity cost of capital • Beyond year 3, generates an extra £11,000 in profits or net cash-flow which might be used to pay for extra stock in order that NC can keep up with dynamic market changes • Net cash-flows are starting to fall, indicated by £6,000 in year 4 compared to £5,000 in year 5 which may be a reflection of changing consumer tastes towards e-bikes which might not be easily repaired by Richard given the limitations of the premises • ARR is 18.3% compared to 13.67% for Plan B • Capital cost is £12,000 compared to £60,000 for Plan B representing a bigger opportunity cost <p>Plan B</p> <ul style="list-style-type: none"> • NPV is more significant over the 5 years than for Plan A. Plan B generates an NPV £13,464 compared to Plan A, which generates £4,989. Plan B is significantly above £0, which indicates a lower risk 	<u>Plan A</u>	<u>Plan B</u>		2727	10908		3304	12390		3755	15020		4098	17758		3105	17388		16989	73464	DCF			Capital	12000	60000	Cost	<u>4989</u>	<u>13464</u>	NPVs	
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	<ul style="list-style-type: none"> • Beyond year 3, generates an extra £41,000 net cash-flow which might be used to pay for extra stock in order that NC can keep up with dynamic market changes • Will provide larger premises overall as well as up to date servicing and repair equipment so that e-bikes can be future proofed • Perhaps the predicted net cash-flows are optimistic compared to Plan A as they assume larger selling space means selling more bikes and more expensive high-performance bikes and the servicing/repair of bikes. The more variables you predict, the more they are vulnerable to changes. 	
	<p><i>Possible recommendations</i></p> <ul style="list-style-type: none"> • Plan A in the immediate term as it is relatively inexpensive, less ambitious, has less damaging consequences for cash flow and surely it is better to walk before you run in business, especially given the economic climate and dynamics of the market. • Plan B over the longer term given the effects on profits overall, which may even provide sufficient funds for growth/expansion to open premises in another part of Birmingham – ‘sister shop’ in the north. <p>Examples of possible ‘MOPS’ recommendations</p> <ul style="list-style-type: none"> • Market – the success of either option may very much depend on whether a new competitor enters the market and/or whether cycling continues to be popular for consumers • Objectives – the cheaper, Plan A may be preferred given that there is no guarantee that the extra sales from the extension will cover the extra £48,000 capital costs and still be profitable • Product – Plan B may very much depend on the availability of stock. If NC cannot access supplies of high performance e-bikes, then sales may suffer • Situation - Choice of option may depend very much on the business climate and support of the UK Government for e-bikes 	<p>(20)</p>

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