



# Examiners' Report June 2019

## IAL Business Studies WBS11 01

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# Introduction

This is the second AS level paper for the new specification (2018) which is marked using levels of response criteria.

The level of responses indicated that many candidates were prepared for the exam and showed a good awareness of the topics.

In the first two sections of the exams, candidates often failed to use the extracts provided to them and gave generic answers with many responses relying heavily on assertion which meant they were unable to access the high levels of the mark scheme.

However there was a notable improvement in the level of context used in question 3. The 20 mark question allowed candidates to take advantage of the wide-ranging data provided to them as well as to use prior-learning and knowledge on the mobile phone market. It was very satisfying to see a high degree of context used in most question 3 responses. Unfortunately, however, the marks awarded for question 3 were not high in general as many students failed to provide balance to their answers.

A wide mix of topics was provided to the candidates and the questions allowed for differentiation with a wide variety of responses provided. Whilst it was disappointing to see that many candidates were unable to explain the advantages of using the Boston matrix, some topics such as primary research, price elasticity of demand, and value added were well understood with some good answers provided.

## Question 1 (a)

This question was generally not answered well. Most candidates were unable to distinguish between qualitative and quantitative research. A high number of candidates thought qualitative research was used to collect quality data, rather than collect information about consumers opinions and beliefs.

1 (a) Define the term 'qualitative research'. (Extract A, line 7)

(2)

Qualitative research is the gathering of data regarding the opinions, lifestyles and attitudes of peoples.



This response gained the full two marks. Responses do not need to be lengthy but need to be accurate.

1 mark was awarded for 'gathering of data' and a second mark for 'opinions and attitudes'



Do not confuse qualitative with quantitative research

## Question 1 (b)

This question required candidates to calculate price elasticity of demand (PED). Candidates were provided with the percentage change in price and were required to firstly calculate the percentage change in demand in order to calculate PED.

Most candidates were able to recall the formula for 1 mark.

Many candidates did not show the answer as a minus figure and unfortunately gained only 3 of the 4 marks available.

(b) Calculate the price elasticity of demand (PED) for a *Superdry* t-shirt if the price decreases by 10% and sales increase from 120,000 to 150,000. You are advised to show your working.

(4)

Percentage change in quantity demanded

percentage change in price

$$\frac{150,000 - 120,000}{120,000} \times 100$$

25

= 25

$$10 = 2.5$$



This answer gained 3 of the 4 marks available for showing 2.5 instead of -2.5.



PED is always a minus figure as price and demand for goods/services have a negative correlation.

## Question 1 (c)

Many candidates performed well on this question. There was evidence of clear understanding of primary research and the methods of collecting the research.

The question awards 2 knowledge marks, 2 application marks and 2 analysis marks.

Unfortunately some candidates missed marks for not applying their knowledge to the business, in this case, Superdry.

(c) Analyse how **two** different methods of primary research could help Superdry.

(6)

Primary research is when the analysis, data is collected by the first hand of the researcher at the first time. Superdry can use either qualitative or quantitative research. The important thing is that the information is gathered at that time by that researcher. By giving out questionnaires, face to face, or telephone interview, Superdry can do primary research. Telephone interview is when the researcher calls the consumer and asks questions about the service of the business. The data is new, not gathered before so it is accepted in the terms of primary research. Face to face communication is the same too. For questionnaires, as the questions prepared that time by that researcher, it will be a primary research. These methods, could help Superdry for their marketing research.



This response scored 2 of the 6 marks available. It is evident that the candidate understands the topic, but they provide knowledge and understanding only. There is no evidence of context or analysis. Analysis should address the consequences to the business of using primary research.



Check your answer for application and do not simply write everything you know about a topic.

## **Question 1 (d)**

This 8 mark question required candidates to discuss the impact of a profit share scheme on the motivation of employees.

The extract gave details of the profit share, providing the sums awarded at different levels of the organisation.

Whilst there were some good answers which contrasted the use of financial and non-financial incentives to motivate employees, the majority of students did not answer the question fully as they focussed on the impact of the profit share scheme on Superdry, rather than the impact on the employees.



(d) Using the data in Extract B, discuss the likely impact of Superdry's profit share plan on employee motivation.

(8)

Profit sharing is sharing the earnings of the business with all employees rather than sharing it only with shareholders. This strategy unites both employees' and owners' aim. Employees will have something to work towards. As they know that, they'll be given a share of the profit, they'll work harder and become much productive. Sales of Superdry might increase and employees would be willing to even further increase the quality. Staff turnover and staff absenteeism will decrease. Superdry will be able to attract and retain and reward the best employees. Giving employees rewards will improve their job satisfaction and they'll feel more valued. At the end of 3 year plan, full-time employees will be awarded £2000 and they'll become more motivated for following years to even <sup>get</sup> increase higher pays by becoming more productive and efficient. On the other hand, share given to employees might be too small to motivate them, and it is only paid if it is earned. Also some employees who are getting reasonable remuneration <sup>may</sup> ~~will~~ be more motivated by non-financial incentives rather than financial ones. Moreover some employees have little contribution to profits. As a result, profit sharing plan will have a good impact on employee motivation as employees will work harder to get higher salaries and at the end of 1<sup>st</sup> year, £30m is planning to be shared between 4500 employees which is a relatively high amount for all employees to be satisfied.



This answer just tipped into Level 3. It showed good knowledge and some good coherent chains of reasoning with counter balance. Despite the first half of the question focussing on the impact on the business, the candidate did focus on the impact on the employee in the remainder of the question.



Read the question carefully to understand which stakeholder your response should focus on.

## **Question 1 (e)**

This is a 10 mark question with 4 levels of response.

To gain the top level marks, students need to show thorough knowledge and logical chains of reasoning. There should also be a balanced and contextualised answer which leads to a supported judgement.

The topic examined in this question was the Boston matrix. Whilst most students showed knowledge in terms of the four categories of the matrix, and could reproduce it graphically, few students were able to analyse how the use of the matrix may be of help to Superdry in managing its portfolio and remaining competitive in the market. As a result many answers were knowledge based only and generic in nature. Very few managed to score marks in level 4.

T-shirts and hooded tops are Superdry's cash cows.

(e) Assess the extent to which the Boston Matrix may help Superdry compete in the clothing market.

(10)

Boston Matrix is a 2X2 method of understanding product and the market better. This helps the business to understand where their products are in the market and how the market is doing on the market condition.

Superdry has a wide product range such as T-shirts, hooded tops, dresses etc. From this ~~narrow~~<sup>wide</sup> range of products their T-shirts and hooded tops are cash cows which means they have a high market share in low market growth and it generates a lot of cash. Boston Matrix helps them to figure out which product is what this helps Superdry to understand what the product needs or how to improve it. Such as if Superdry has a star product that means the product has high market share in high market growth in this situation Superdry has to spend a lot of money for advertisement. Also the product might not have much revenue left. For cash cows they will have to keep on maintaining the sales and market share. For problem child the product has low market share high market growth. Superdry will have to think of ways to higher the market share. The last one is dog it has low

market share and low market growth. Superdry will have to think of ways to either withdraw the product or make profit of what's left.

Boston Matrix will help ~~superdry dry~~ Superdry to help understand which product is what and what can they do to improve them even more.



This answer scored 5 marks which is the bottom of level 3. Whilst there is some knowledge evident with basic causes and effects, the ideas are vague with no attempt to provide balance.



With the level of response questions, it is a good idea to read through your response and try and decide if the examiner could determine the question set from reading the essay. If this is not the case, then it is unlikely that the question has been fully answered. Remember, the 'assess' command word requires a full and balanced awareness of the validity and significance of competing arguments.

## Question 2 (a)

This 2 mark question required candidates to define online retailing. The majority of candidates scored full marks for stating 'the sale of goods on the internet'.

2 (a) Define the term 'online retailing'. (Extract C, line 1)

(2)

online retailing is making the products available online to the final consumers. Distribution and delivery is done directly to the final consumers.



This is typical of candidates who only gained 1 mark. This is due to the repeat of 'online' rather than explaining the term.



Do not spend too much time on a 2 mark question, but ensure you don't simply repeat the term given.

## Question 2 (b)

This 4 mark question contains 1 knowledge mark, 2 application marks and 1 analysis mark.

Candidates were directed to quantitative data in extract D to help answer the question and indeed to provide context/application for the response.

The candidates were required to identify a change in fashion/tastes/preferences that had benefitted Ocado.

Whilst there were many candidates scoring full marks, some candidates did not identify a changing trend and simply provided details of the quantitative data given and were awarded no marks.

(b) Using the data from Extract D, explain **one** way changes in fashions, tastes or preferences have affected demand for Ocado.

(4)

Demand is the amount of ~~can~~ customers who would like to purchase a product at a given time at a given price. The change in fashion trends may have made an ~~excess~~ increase of Ocado of about 110,000 between 2012 to 2016. People may ~~we~~ buy their grocery online ~~now~~ as <sup>there</sup> there is a trend of buying purchasing goods and services through the internet. This might have made the order level and the revenue level to increase drastically between the years.



This response scored 3 marks. The candidate identifies online shopping as a trend and applies some of the data from extract D. There is some analysis at the end, though it is quite basic. One mark is lost as 'explain' questions require two points of application.



Double check that your 4 mark 'explain' responses have two points of application.



## Question 2 (c)

This 6 mark question examined the business objective, cost efficiency.

There are 2 knowledge marks, 2 application marks and 2 analysis marks available.

The question was not well answered by many candidates. Whilst most candidates seemed to understand the term cost efficiency and picked up one or two knowledge marks, they were unable to convey how reducing costs and waste would benefit the online retailer, Ocado.

(c) Analyse **two** advantages for Ocado of having cost efficiency as a main business objective.

(6)

A business being cost efficient means that they are being as efficient and productive as possible to reduce average costs. One advantage of this is that they will be able to keep their prices low, meaning that they will be able to become more competitive in the market, and by keeping their prices lower than their competitors. This also leads to another advantage that since their costs are as low as possible they are maximising their profits. This can allow them to grow larger and increase their retained profits.



This scored 4 marks. There are two points of knowledge - to lower prices and increase profit. There is also some basic analysis - to become more competitive and to help the business grow and expand. No context is evident so two application marks are not awarded to this candidate.



For 6 mark questions, it is a good idea to briefly plan a response. Think about how the marks can be achieved and what is required before starting to write the response. This helps to make sure that the question set is being answered and that you are making two distinct points before developing them.

## ***Question 2 (d)***

This 8 mark question was answered quite well on the whole.

The majority of candidates showed good understanding of the term added value.

Most candidates used the extracts well to provide context to their answers.

(d) Discuss the extent to which Ocado has been successful in adding value to its business.

(8)

Adding value is adding a feature to differentiate the product from its rivaling products. This could also be called adding a value to the cost.

By adding value Ocado will be able to have a competitive advantage. This using colour-coded bags to separate fresh food, frozen food, tinned food and non food-items. By doing this Ocado will be differentiated from other services which will give them a competitive advantage, which will lead to more sales, resulting in higher profits.

Moreover, by adding value Ocado will be able to have more loyal customers, thus they could increase their sales which will lead to higher profits, using this they could extend their services. However, this could be costly, the costly and time consuming, as they are adding a value it could increase their cost of production, thus, they'll have to charge more which could reduce the demand.

In conclusion, adding value could be beneficial for the success of the business as it will give them a good brand recognition.



This response is a level 3 response - the top level for an 8 mark question. It shows knowledge, mostly coherent chains of reasoning, context and balance.



Remember a conclusion is not required for an 8 mark question, but a balanced response is required.

## **Question 2 (e)**

This 10 mark question was intended to test the importance of place as an element of the marketing mix.

Most candidates did understand that 'place' was an important consideration for an online grocery company and produced some good arguments to support this.

The best answers showed good balance by explaining that other elements were also important. For example, price is a very important element in a competitive market such as grocery retailers.

Ocado sells products online that are delivered to customers' homes. Place is one element of the marketing mix.

(e) Assess the importance of place in Ocado's marketing mix.

(10)

Marketing mix are elements of business marketing which help to increase the number of customers, also known as the 4Ps: place, product, promotion & price.

It is said "we seek to offer hourly delivery times to provide choice & convenience to our customers" meaning place is important in the marketing mix. Since products are being delivered to customers' homes & at preferential times more customers will be attracted to Ocado because of its convenience.

It is also said "we have developed our service using in-house designed software" meaning as the marketing mix is focused on place, you can order at home or anywhere else and will be delivered to your doorstep, because of this importance given to place, Ocado can increase its customer base.

And it is said that "we extended services to Europe" meaning that as they expanded their place, they can now achieve a wide range of customers as it has increased its area.

However, if promotions such as above the line promotion placed on media & below the line promotions is not well executed, people wouldn't know about Ocado or its extended services.

In contrast even though they deliver to the home if price are way above the level of affordability, customers will switch to competitors for lower prices

And also if the product is of lower quality people will not switch to ~~to~~ ~~also~~ even if they deliver <sup>to</sup> ~~at~~ home

Therefore product, price, promotion & place is important to obtain customers.



This response gained 8 marks which is the bottom of level 4. There is good knowledge of the marketing mix, reasonable chains of reasoning and an attempt at a balanced assessment. The evaluation is not contextualised and the conclusion is very limited which keeps the answer at the bottom of the level.



### **Question 3**

This question was intended to test candidates understanding of the design mix.

It also tested the ability of the candidate to apply this understanding to the case study material. It was extremely encouraging to see that the material provided was used extremely well. Candidates appeared to have excellent knowledge of the cell phone market and often used their own knowledge to develop coherent and logical points in their answers.

The best answers provided balance but unfortunately, many answers were extremely one-sided. Many responses simply explained why each of the elements of the design mix were important, rather than discuss any limitations of the design mix elements, or why one element was more important than the others.

3 Function, aesthetics and cost of manufacture are elements of the design mix.

Evaluate which of these is the most important element for manufacturers of smartphones.

(20)

The design mix is the consideration of function, aesthetics and the cost of manufacture while manufacturing and producing the products considerately.

To commence, the element function of the design mix is an important element to be considered for smartphones since they are being bought according and considerate to necessities. As per extract F, Samsung offers a wide choice of phones with different functionality and it being a reason for the success, this shows that ~~the~~ availability of ~~various~~ various features in phones according to different users is one of the most important elements in order to target and cater a wide market in order to improve market share and sales.

Moreover, aesthetics is also an important factor, since people want the good or ~~pro~~ product they buy to fit various needs as well as look good. Smartphones, also being a device that is used more often has to look good in hand and has to have a good outer appearance as well. According to extract G, Samsung has a market share of 20.7% and Apple of 13.7%, with a large amount compared to the others could be due to its high quality expensive look therefore, it is necessary for manufacturers to maintain aesthetics in smartphones.

Furthermore, cost of manufacture is also a more important element because it is a major factor that is reflected on price therefore the less it is the more beneficial it is since the cost saved could be passed on to customers through low prices like business Huawei, Oppo and Vivo do, even though they attract significantly less market share with the capacity of people's income there are higher possibilities for consumers being attracted towards low prices since 29.9% is towards low prices than a 20.7% towards Samsung, an expensive phone and brand.

However, if they continuously develop products with even more and advanced functions than necessary as per extract E of using internet, taking pictures, receiving and sending mails, it is not necessary that even more functionality is to be considered important by manufacturers of smartphone since people have only limited knowledge, not everyone is educated in the same digital field, so lack of knowledge to use more functional features may also reflect through negative demand and element on the phone therefore it is not important.

Even though, the phones are aesthetically very pleasant and well calculatively manufactured it is not one of the main elements since it should be safe for usage unlike a most famous failure for a huge brand like Samsung of a blast of Galaxy Note 7, which is not safe where people prefer to be safer and use something simple and convenient therefore not only ~~the~~ aesthetics but the durability and its safer version without threat to customers to be thought by manufacturers of smartphones.

To state further, manufacturers lowering cost is not an important element to be considered by manufacturers of smart phones since, consumers may think that low quality products would have low prices rather than how they reached to the price, phones for less than \$250 is significantly cheaper than Samsung and Apple as per extract F, this shows that comparison of products may result in negative comments for cheaper products and may tag it low quality therefore quality is to be considered as a significant factor rather than the cost of manufacture to it.

Last but not least, manufacturers of smartphones considering elements of design mix is not important since production should take place according to requirements of people and as per extract F, people already have phones and do not require new ones since it fits for their purpose therefore manufacturers should consider production of smartphones according to the product's established product life cycle.

In conclusion, the design mix is an important factor of elements that needs to be considered along with market needs.



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Examiner Comments

This response is a high level 4 response. It shows coherent chains of reasoning, includes relevant evidence and, very importantly, balance. For example, the negative impact of reducing manufacturing costs.



It is always worthwhile creating a brief plan for the essay before starting to write the response. Your essay needs to be balanced to achieve the top level.

## Paper Summary

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

- Do not forego marks by missing the negative signs when calculating price elasticity of demand.
- Ensure that the 4 mark explain-question contains two points of application in order to gain full marks.
- Read the questions carefully. It was evident that many candidates wrote about the impact of profit share on the business rather than the impact of profit share on employee motivation in question 1d).
- Ensure there is balance for all 'discuss', 'assess' and 'evaluation' questions.

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