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Examiners' Report

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GCE Business 9BS0 01

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Introduction

This is the first A-level examination, examining the full two-year content of the new specification. The paper examined content from themes 1 and 4 of the A-level business case.

The paper followed the established format of shorter knowledge and application based questions at the start of section A and section B, progressing to questions requiring candidates to show all four assessment objective skills towards the end of each half of the paper. Each section also contained questions where candidates are expected to show their understanding of quantitative skills, in line with the requirements of the new qualification.

This paper requires candidates to show an in-depth understanding of the content of theme 1 and theme 4 of the course. The most successful candidates are those that are able to make links between these two specification areas. For example, how is niche marketing in general, linked to global niche marketing? This knowledge and understanding then needs to be carefully applied to the businesses in the extracts to promote analysis and evaluation of the specification content, relative to the businesses in the extracts and their wider context.

To guide future teaching and learning, it is good practice to use as many different business contexts as possible. These can be taken from quality newspapers, financial publications and reputable websites. Where possible, contrasting contexts could be used to inform teaching of a topic. For example, an expansion into an international market based on the opportunities it presented, contrasted to a business that was seeking to move away from a declining home market. The key thing being that candidates are able to apply their answer by answering the question: what is it about this business, its market, situation, and customers.

This allows for a particular specification topic to be relevant in one way, when it would be relevant in a different way for a business in a different situation.

Question 1 (a)

This question focused on candidates' interpretation and subsequent calculations from Extract A, which showed how global air traffic has changed in recent years. There was some additional information in the stem of the question that allowed candidates to complete the question. This was a two-stage question, fitting with the demands of the quantitative skills requirement of this qualification. The first stage was to calculate the percentage change in passenger numbers in 2016 based on figures in the question stem. The second stage was to interpret the data in Extract A and compare the results of the calculation to the data in the graph.

This question required candidates to show knowledge of Market Share and Market Size, Quantitative skills 2: Calculate, use and understand percentages and percentage changes, and Quantitative skills 9: Interpret, apply and analyse information in written, graphical, tabular, and numerical forms.

passenger numbers were forecast to grow from 3.5bn people in 2015 to 3.75bn people in 2016.

- a) Using the data from Extract A and the information above, calculate the difference in percentage growth in air passenger numbers between 2015 and 2016. You are advised to show your working.

(4)

$$\begin{aligned} \text{percentage change} &= \text{difference} \div \text{original} \times 100 \\ 25 \div 3.5 \times 100 &= 7.1\% \text{ increase} \\ 1\% - 6.7\% &= 0.4\% \end{aligned}$$



ResultsPlus Examiner Comments

This response clearly shows the two stages that the candidate used in the calculations, along with clarification of the technique they used.



ResultsPlus Examiner Tip

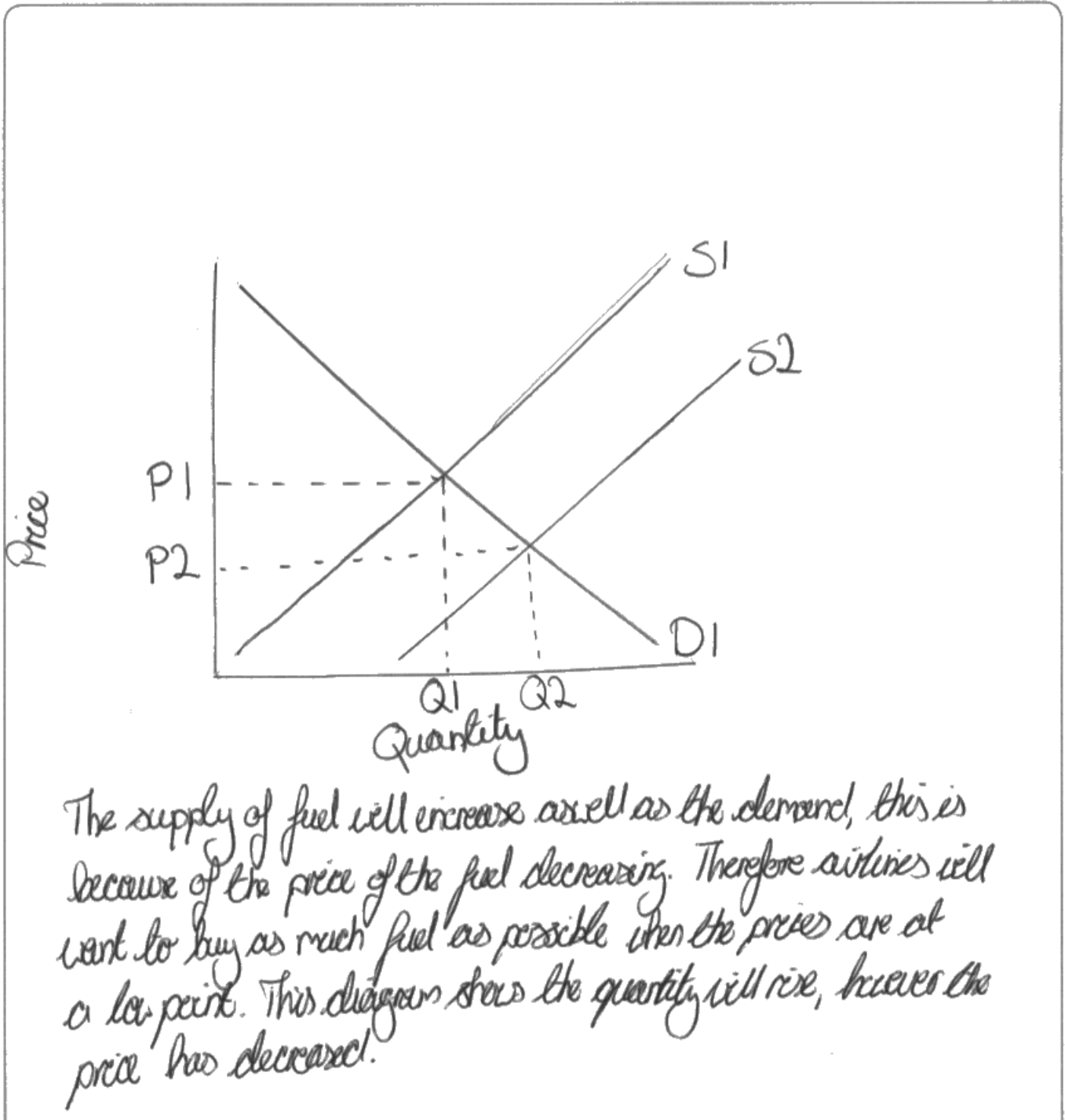
Look out for "Using the data from..." as this will highlight that quantitative skills are being examined in the question. In this case, the instruction is guiding the candidate towards Extract A, as well as "the information above". These two sources will provide the data to complete the required calculation.

Question 1 (b)

This question examined quantitative skill 3: Construct and interpret a range of standard graphical forms. It also explained the data to use, in this case the fall in jet fuel prices between 2014 and 2015 shown in Extract B. Candidates were expected to draw a fully labelled demand and supply diagram.

- (b) Using the data from Extract B, draw a supply and demand diagram for airline tickets to show the likely effects of the change in jet fuel prices between 2014 and 2015.

(4)





ResultsPlus

Examiner Comments

The data in Extract B shows a fall in jet fuel prices. As jet fuel is a major cost of operating an airline, it is a factor of supply. Therefore, a fall in one of its major costs should allow an increase in supply of airline tickets at a given price, an outward shift in the supply curve, leading to an extension of demand and a fall in equilibrium price.



ResultsPlus

Examiner Tip

Make sure you are confident about the factors which affect demand, and those that affect supply as these will determine which curve to shift. Always label the axis of the graph, the curves themselves, and the equilibrium points. Although this example includes an explanation, this is not necessary to gain full marks. An accurate diagram is sufficient for four marks.

Question 1 (c)

Question 1(c) is the first in the extended response questions. In this case it was examining the specification area of online distribution and particularly how an online approach to sales might affect a budget airline such as Spirit. Information on Spirit airline appeared in Evidence C, providing opportunities for candidates to apply their knowledge.

The question's command word is "assess", which invites candidates to present a balanced argument, in this case, the arguments for and against only selling tickets online. A simple judgement would be expected in order to secure the higher marks.

(c) Assess the consequences to a business, such as Spirit Airlines, of only selling its tickets online.

(10)

By only selling its tickets online, Spirit Airlines is reaching some of its target market. We learn that it is a cheap flight service that uses pricing strategy such as undercutting competitors to give them an advantage. By operating online, it could be argued that Spirit Airlines could save capital through not owning a travel agents, therefore not needing to hire staff for it thus saving money. This is especially pivotal in a company such as Spirit Airlines as they can gain a larger profit margin due to their low costs, meaning they can maintain their unique pricing structure and use it to its full effect. However, by choosing not to operate through travel agents, they may lose some customers, particularly older ones who may not be as up to date with technology. This means they are potentially sacrificing potential buyers, however I believe that the company may not be aimed at the older market. Due to its lack of in-flight quality, such as restricted legroom and higher pricing for luggage, many older, potentially more wealthy people may choose to fly with other airlines.

To conclude, I believe that Spirit Airlines has made the right decision in choosing to operate online only as it is suited to the people who are arguably most likely to choose the service, which is young people, who are accustomed to shopping online. So by positioning themselves in the low cost section of the market, they are likely to draw the younger customer base.



ResultsPlus

Examiner Comments

This response is clearly applied to the example of Spirit airlines, showing a good understanding of it as a budget airline. It shows an understanding of target markets and how these impact on the method of distribution used. The conclusion links back to the target market and suggests that this is a key factor in their strategy being likely to succeed.



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Examiner Tip

Use the evidence as much as possible. There is no expectation that you will know about the business beyond the information you are presented with, but you may find that you have your own background knowledge to bring and add to your answer. Remember that the higher mark questions demand balance and you need to be framing answers to provide this.

Question 1 (d)

This question examined the market positioning aspect of theme 1. Once again, the command word was "assess", but with 12 marks available, we would expect analysis and evaluation to be slightly more wide-ranging than the 10 mark question.

Again, Evidence C was the main source of application for this question. Emirates, as explained, has a particular focus on the higher-end traveller and as such positions itself to appeal to these customers. The question was inviting an assessment of whether it was this market positioning that was important, or other factors that might contribute to Emirates' success.

(d) Assess the likely importance of its market positioning to the success of a business, such as Emirates.

(12)

Market positioning is a method in which competitors in a market are compared against 2 variables (usually quality + price) in order to find a gap in the market and the right strategy to ~~exp~~ offer features that competitors aren't offering (e.g. cheaper prices but high quality). This is important for a business such as Emirates as the ~~aeroplane~~ flight market is saturated with a lot of competition. By using market positioning, Emirates can identify features that their competition aren't offering in their products and place themselves in the market accordingly (e.g. lower price but same quality as competitor), this means Emirates can appeal to a certain target market which is important in such a ~~the~~ saturated market as competition is very high and it's important to make your product/service stand out from competition^(diversity) in order to maintain market share. Emirates have achieved this by using high specification aircraft and offering 'exceptional customer service', 2 features that were most likely identified with

this tool.

On the other hand, market positioning may not be as useful to a business such as Emirates as consumers flying to places may only care about one factor, this being the price. As their service is getting from point A to point B their customers may not be too concerned about what specification the aircraft is etc as they may only care about the cheapest way to get to where they are going. This point is especially applied to shorter duration flights as customers will not spend that long on board and may not necessarily care about the 'exceptional customer service', most customers would be researching the cheapest price as the diversification of these flight companies airlines services do not make that much difference, for example; slightly more legroom may not be worth paying more for on shorter duration flights as people won't be spending that much time on the aircraft and generally just care about getting to their destination for the cheapest price. However, diversifying their service will undeniably differentiate themselves from their competitors.



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Examiner Comments

This candidate begins with a clear explanation of market positioning, with reference to a market map and then goes on to discuss why this is important, for example because “the market is saturated”. Importantly, the answer provides balance, by explaining that for some customers price might be the defining factor in purchasing tickets, therefore the overall positioning is less important. Towards the end of the answer the candidate quotes “exceptional customer service” from the context. It is not essential to do this, but it does show a clear reference and understanding of the appropriate evidence.



ResultsPlus

Examiner Tip

Try to match the concept in the question to what is presented in the evidence. It is good practice to define the key term in the question as this shows you are confident in the subject material. If you are able to, consider how other evidence in the paper might be relevant – in this case, you could argue that jet fuel prices might affect Emirates’ success more than their market position.

Question 1 (e)

This question was based on some of the information in Evidence E and invited candidates to show their knowledge and understanding of Organisational Design in theme 1. The question invited a full evaluation of the options of either remaining a tall structure, or re-organising to become a flat structure. The top marks were achieved by those candidates able to make a full recommendation of what is most suitable based on the evidence and their own understanding of the context and specification area.

The question clearly outlines the context – Warren East and Rolls Royce and invites an evaluation of the two options and a recommendation.

Despite Warren East's restructuring, Rolls-Royce still has a 'tall' organisational structure. Two options for the future of Rolls-Royce are to remain as a tall structure or to change to a flat organisational structure.

(e) Evaluate these **two** options and recommend which is most suitable for a business, such as Rolls-Royce.

(20)

A tall organisational structure for means the company have people working for them on different levels for example could be structured, owner; manager; assistant manager; engineers and so on (for example). This structure ~~is used~~ is used by large/global companies as it gives workers the opportunity to work on a subject that is ~~is~~ specific and they could perfect the art of their job to a high level and decisions would be made quickly. East stated that he wanted to add another layer to the structure and this would be senior management as it would 'save a week for every month it took to make a decision.' This makes productivity for the company increase, therefore saving money on running costs of factories (for example). With this structure the the leader of each specific section of the company would take an auto-critic approach to making the decisions as there isn't time to consult with everyone to make a decision. This saves the company from social events such as arguments over what decision to make as well, resulting in a happier

environment to work in, which relates to Maslow's theory of a happy environment to work in makes the workers work harder.

For a Flat organisational structure this would be beneficial as it would give workers the chance to try out different sections of the company and would prevent them from being bored on the job as it would give them something new to work on everyday. So this would reduce the amount of ~~people~~ ~~emp~~ engineers (for example) leaving and could save money for the business for recruiting internally and externally for people to fill them jobs. However if every employee is working on the same level it doesn't give them motivation to strive to work their way up the business and be better than someone else, which could result in poor quality work done. Also when making decisions it would be difficult for there to be a ~~strong~~ democratic approach as there are 54,000 people working for the company so each decision would not be able to discuss; this would take too long. Therefore meaning the company would have to take a laissez faire approach to the ~~company~~ decisions where people could make whatever decision they want. This that could end in ^{an} unorganised business and for the quality of Rolls-Royce this wouldn't work for their company.

I believe that the flat organisational structure would be beneficial for Rolls-Royce this is because the company is

look and a very high quality brand. Therefore by each section perfecting their own job it suits the company well for making the standard of their products to high end.



ResultsPlus

Examiner Comments

This response is clearly separated into sections on a tall structure and one section on the flat structure. It evaluates options in context and uses related concepts such as productivity and motivation to strengthen the arguments. The evidence is clearly used and referenced, allowing the candidate to achieve application marks throughout. In this case, the recommendation is not as developed as we would hope for in a response worthy of more marks. An appreciation of East's motivations – saving time and money, would provide a basis for supporting the overall decision more fully.



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Examiner Tip

In these questions, ensure all options are fully evaluated. In this case, advantages and disadvantages of each type of structure, in the context of the business. Use these longer responses as an opportunity to bring in your knowledge and understanding from other specification areas that are relevant to the question. Motivation and Leadership were two areas that are clearly relevant here.

Question 2 (a)

Question 2(a) was a short four mark question on Price Skimming. It assessed the theme 1 specification area of Pricing Strategies. The intention was for candidates to link this specification area to Pfizer in general, from their understanding of the evidence pieces in section B of the paper.

Question 2 (b)

This question was another example of one requiring quantitative skills. In this case, Quantitative skills 2: Calculate, use and understand percentages and percentage changes, and Quantitative skills 9: Interpret, apply and analyse information in written, graphical, tabular, and numerical forms. The specification area was: government incentives offered as part of choosing a country as a production location in theme 4.

The question required candidates to take the information on Pfizer's profit from Extract E, and compare the corporation tax rates charged by different governments in Extract F. Once again, the wording of the question directed candidates towards this data and the need to use quantitative skills to answer it effectively.

labor the cost of the merger etc.
(b) Using the data in Extracts E and F, calculate the amount Pfizer would have saved in 2014 if it had paid corporation tax in Ireland, rather than the USA. You are advised to show your working.

(4)

Ireland = 12.5%

USA = 40%

Profit 9.135 bn

Pfizer would have saved

$$9135000000 \div 100 = 91350000$$

$$91350000 \times 12.5 = 1141875000$$

$$91350000 \times 40 = 3654000000$$

$$- = 2512125000$$



ResultsPlus Examiner Comments

This response clearly presents the stages involved in the calculations and the answers at each stage. They have taken the information from the extract and used it effectively to make accurate calculations.



ResultsPlus Examiner Tip

Even if you are confident and comfortable with what calculations you need to make, outline each stage in your answer booklet. This means that if there is a mistake and the answer is wrong, you can still gain some reward for selecting the appropriate data.

Question 2 (c)

The question focused on specialisation and competitive advantage in theme 4, which has an emphasis on global business. Candidates were invited to apply their knowledge of specialisation in terms of concentrating on a specific range of products or services, and explaining how this can give a business a competitive advantage. It invited candidates to make the link to the specialised markets of international pharmaceuticals.

The best responses were those that identified examples of products sold by Pfizer and how their specialised nature enabled a competitive advantage to be gained.

As the command word was "assess" the candidates were expected to provide balance in their responses, along with an overall judgement in context. As theme 4 was the specification area in question, there needed to be a clear link to trading internationally in order to gain the higher marks.

Question 2 (d)

Question 2(d) assessed the specification area of "reasons for global mergers and joint ventures". The extracts explained some of the strengths of Pfizer and Allergan, other extracts outlined important factors such as lower tax rates in Ireland and access to the European Union single market.

The assessment of likely impacts could take a range of forms. Stronger answers analysed the human resources issues thrown up by such a merger, including role duplication and the fact that Pfizer seemed to be the senior party in the move, which might jeopardise the jobs of Allergan employees. There was also an appreciation that the two businesses sold very different product ranges, so there would be the opportunity to develop new markets, as suggested by Ansoff.

Question 2 (e)

This question was based on the information provided in Extract G and assessed the specification area of the impact of multinational corporations. Candidates were required to assess the costs and benefits of Pfizer moving their headquarters to Ireland, and make a recommendation as to whether the Irish government should support such a move.

The best answers made clear use of Extract G, combining this with their own knowledge of the costs and benefits of MNCs on the local and national economy. The best answers assessed both the impact on other businesses in this sector, and the employees who worked in it. There was plenty of scope to bring in knowledge from other aspects of the specification, such as stakeholder interests and ethics – although this was not essential to achieve the highest marks.

Candidates should aim to provide developed recommendations, that use the evidence to support the overall decision. This should not simply be a repeat of the previous argument, but an explanation of the defining features of the business and economy involved. For example, in Ireland's case, the fact that it was already dominated by multinational IT businesses, might make the Pfizer move problematic to the labour force in Ireland.

Once again, application is key to the best answers. Use of the extracts to support your argument shows a real understanding of the subject material, that has been adjusted and moulded to suit a particular line of argument.

Paper summary

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

- Successful candidates in this paper stuck closely to the requirements of the question posed and were able to apply these effectively to the relevant business in the evidence. The best answers were those where candidates compared and contrasted businesses in the evidence, such as Spirit and Emirates airways, to make a clear argument.
- Successful candidates in this paper answered the question directly, paying attention to the command word and mark allocation.
- Successful candidates in this paper made sure they had a sound understanding of the specification content so they could apply it confidently to the questions – this is particularly the case with the quantitative skills questions.
- Successful candidates in this paper followed carefully the requirements of the qualitative skills questions, following each of the three stages in the calculations and, where appropriate, showing their workings as to how the answer was sought.
- Less successful candidates in this paper did not show enough understanding of specification content and terminology. Specifically: 'Price Skimming', 'Demand Supply diagrams/factors affecting demand and supply', and 'global mergers'. Glossaries of key terminology are a good way of securing this knowledge at all stages of preparation for the examination.
- Less successful candidates in this paper did not apply answers to the relevant business in the evidence, leading to generic answers lacking context.
- Less successful candidates in this paper did not manage their time effectively, leading to overly long answers to questions worth four or ten marks, thus missing out on the chance to answer 12 or 20 mark questions.

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