



Pearson
Edexcel

A level Business

Assess Question Exemplars

Level Based Mark Grids from
the 2023 series

Paper 3: Investigating business
in a competitive environment





Introduction

From 2023 onwards, the wording of the level-based descriptors for the 8, 10 and 12 mark questions will change to provide transparency in examiners' marking approach and greater clarity for teachers and students.

These exemplars have been produced, following teacher feedback, to ensure the approach to marking is accessible to both teachers and students in preparation for final course assessment.

The senior team for GCE Business is made up of practising teachers, so we understand how important it can be to share our knowledge, understanding and the practice of marking, especially with respect to answers relating to Levels of Response questions.

Contained in this booklet is a selection of student responses taken from the summer of 2022 series, complete with the level and appropriate marks awarded. After each response is a commentary which should help to explain the level and raw mark awarded.

These selected responses aim to illustrate to teachers and learners the difference between Level 3 and level 4 responses, to clarify examiners' approach to marking and to help students access the higher mark bands.

With Paper 3 lower tariff questions (8 markers) the responses and commentaries which follow should help students understand how to achieve a mark in the top range Level 3.



8 mark question

Level	Mark	Descriptor
	0	<ul style="list-style-type: none">• A completely inaccurate response.
Level 1	1-2	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Accurate knowledge and understanding.• Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete.• An attempt at an assessment is presented using quantitative and/or qualitative information• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.
Level 3	6-8	<ul style="list-style-type: none">• Accurate and thorough knowledge and understanding.• Logical chains of reasoning, showing cause(s) and/or effect(s).• Assessment is balanced, well contextualised, using quantitative and/or qualitative information• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors including supported judgement



Paper 3 2022 Question 2(a)

Response 1

2 (a) Assess **two** pricing strategies Richard could use at Northfield Cycles.

(8) 8 Q02a

Price skimming is when a business ~~phase~~^{prices} their products as a high price, then lowers the price over time. Competitive pricing is pricing your products in line with competitors.

The prices of the bikes can currently be sold for anything to £90, £24,000. Therefore, if Richard adapts the technique of price skimming, he can charge a premium price for his cycles which would establish that he has a premium brand. Therefore, if he operates in a niche market especially as celebrities ride his bikes such as Wiggins, he can build a premium reputation for himself. Therefore, if Richard can gain high sales revenues from his bikes this would lead to him gaining a higher market share and increased brand image. Therefore, he would have the opportunity to become a market leader. However, if he only sells about 20 bikes a week on average, using this

technique could mean that his prices are set too high and he is not gaining maximum sales volumes of profitability. Therefore, Richard may struggle to survive.



However, if Richard used competitive pricing and sets his prices in a similar range to competitors such as James May cycles, he would be able to see how much is needed to be charged to gain high revenue that would be able to further improve his research and development or production costs of clothing that are made for biking in Malaysia. Therefore, Richard would be profitable and would be able to fully innovate his business to develop high quality products and a competitive edge against competitors whilst charging a similar price to them. Although if the market is saturated and homogenous, Richard may not benefit from charging a similar price to competitors if he didn't have a successful USP and

Level 3: 8/8

This candidate's response shows accurate knowledge and understanding of two pricing policies, namely price-skimming and competitive pricing.

Chains of reasoning are logical given analysis relating to price skimming and premium pricing and the link to celebrity endorsement. Furthermore, the candidate argues premium pricing may increase sales revenue, or create an opportunity for Northfield Cycles to be market leader. Similarly, the argument for competitive pricing is well presented.

Both pricing policies are applied well to the business (Northfield Cycles) given reference to the evidence/context, namely the £90-£24,00 price range of bikes, niche market, Wiggins, James May Cycles.

The arguments above are contrasted with a suggestion that price skimming may cause limited sales (20 bikes per week) and the need to have a USP in order for Northfield Cycles to benefit from competitive pricing.



Response 2

2 (a) Assess **two** pricing strategies Richard could use at Northfield Cycles.

(8) 5 Q02a

One pricing strategy could be penetration pricing. This is where you enter the market at a low price and gradually raise it over time. It would be beneficial as he spotted the 'demand from locals on low incomes'. Therefore, by targeting these customers he will increase ~~profit~~ sales initially, leading to increased profit & revenue. Therefore, he will see greater brand reputation and loyalty due to low price and good quality, allowing him to gradually charge higher prices as the price elasticity of demand becomes more inelastic due to strengthening long distinctive credibility of reputation. However, the extent to which this is a strength depends on if he can afford to keep quality high initially as if quality drops so will reputation and loyalty and so when he tries to increase price he will see lower sales, which will lead to poor cash flow & low working capital.

Another strategy Richard could use would be price skimming, where he sets price high initially and gradually decreases it over time. This means he will see lower sales initially but due to low capacity utilisation and high quality he will see increased profitability per product and low fixed costs per product. Therefore, over time he can increase prices and because he's already established high quality products at

a reasonable price he will be trusted. Therefore, sales will increase allowing him to expand to selling '20 bikes a day', which will increase profit and revenue increasing the average number of bikes sold per week to over £40000. Allowing him to invest into expansion plans like expanding the shop by '25 m²' to provide better repairs and servicing.



Level 2: 5/8

This response shows accurate knowledge and understanding of two pricing policies, namely price-skimming and penetration pricing.

Chains of reasoning are reasonable, relating to price elasticity of demand for his bikes and the link to quality (penetration pricing). Likewise, the support for price skimming is reasonably well argued, such as the increased profitability per bike. However, this candidate does not explain why low fixed costs per product applies.

The two pricing policies are applied reasonably well to the business (Northfield Cycles) given reference to the evidence/context, such as the demand from locals on low incomes, high quality bikes, sales of 20 bikes per day, £40,000 revenue per week and Richard's expansion plans.



10 Mark Questions

Level	Mark	Descriptor
	0	<ul style="list-style-type: none">• A completely inaccurate response.
Level 1	1-2	<ul style="list-style-type: none">• Isolated elements of knowledge and understanding – recall based.• Weak or no relevant application to business examples.• Generic assertions may be presented.
Level 2	3-4	<ul style="list-style-type: none">• Elements of knowledge and understanding.• Which are applied to the business example.• Chains of reasoning are presented, but may be assertions or incomplete.• A generic or superficial assessment is presented.
Level 3	5-6	<ul style="list-style-type: none">• Accurate and thorough knowledge and understanding.• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).• An attempt at an assessment is presented using quantitative and/or qualitative information• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.
Level 4	7-10	<ul style="list-style-type: none">• Accurate and thorough knowledge and understanding.• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).• Assessment is balanced and well contextualised, using quantitative and/or qualitative information• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.



Paper 3 2022 Question 1 (b)

Response 1

(b) Assess the importance of capacity utilisation during the Commonwealth Games.

(10) 1001b

$$\text{Capacity utilisation} = \frac{\text{actual output}}{\text{maximum output}} \times 100$$

Capacity utilisation is the extent as a % to which a business is utilising its maximum capacity.

The capacity of the stadium is around 18,000 people. Therefore, during the commonwealth games, there should be a high capacity utilisation so that the event runners can focus on meeting demand and making sure that all seats are filled and that demand is met for customers who want to watch the games. As a result, operating at a high capacity utilisation would ensure customer's needs and demand is met. As a result, customers may feel satisfied and would want to return to the next commonwealth games as a result. Moreover, operating at a high capacity utilisation ensures ~~the~~ lower fixed costs per output. Therefore, if the team can operate with lower fixed costs, with a higher capacity utilisation, they



can save costs for further innovation of facilities whilst still ensuring the marketing and security needs are met for each game. As a result, if costs are saved, the common wealth games can be further innovated, for example to have high quality swimming pools and athletic tracks. ~~As~~ This would lead to increased brand awareness and would attract more customers to watch the games and buy tickets which further increases their profitability in a saturated sports market, thus allowing them to become a leader of running the games in the market.

~~As~~ However, if the company operate at full capacity, workers may feel over worked and pressured to produce the best marketing for the games. As a result, workers would leave and this would increase absenteeism rates. This would lead to a lack of productivity and if poor marketing is produced for the games, then customers may not want to watch the games if it is poorly marketed.

Level 4: 10/10

This candidate's response shows a sound grasp of the business concept capacity utilisation, having started with a useful formula and definition. This knowledge is both thorough and accurate when you review the response as a whole.

Chains of reasoning (analytical commentary) are clear given the explanation of why increased capacity utilisation can lower fixed costs per unit and how such cost savings might be used to support marketing and security. This point is developed further by the suggestion that the quality of other facilities (swimming pools and athletics tracks) may be improved.



The reference to workers feeling pressured, leaving or being absent, demonstrates balance in the response. This is further developed by the suggestion that if the Commonwealth Games experienced poor marketing as a result, then ticket sales may suffer.

There is clear application of the concept to the context of the Commonwealth Games given the reference to 18,000 capacity of the Alexandra Stadium, the seats, innovation of facilities, security needs, swimming pools, athletics tracks, tickets and sports market. Furthermore, reference to the post-Games 18,000 capacity shows appropriate use of quantitative data given the nature of this question.

Overall, the candidate's judgement is that the Games should operate below capacity in the long-term to prevent workers feeling overworked. However, in the short-term operating at high levels of capacity can meet consumer demand.



Response 2

(b) Assess the importance of capacity utilisation during the Commonwealth Games.

(10) 8 Q01b

Capacity utilisation is the % of the maximum capacity that a business can use over a given time period. One reason for importance is that the ~~scheme has~~ ~~is~~ ~~budgeted~~ investment in the scheme is considerably high at (£184m) and thus, the games need to ensure that capacity utilisation is high in order to ~~generate a profit~~ ~~payback the scheme~~ ~~break even~~ to generate a high enough revenue to ~~break even~~. By having a high capacity utilisation ~~however~~, the scheme is not only benefiting the Commonwealth Games but also other international athletics in the UK. Therefore, ~~the Co. is~~ not ^{a necessity} ~~necessary~~ to break even ~~due~~ from the profits generated by the games.

A second reason for the importance of ~~cap~~ is that by having more seats ~~and~~ spectators, ~~the~~ unit costs ~~of~~ will fall as it is spread over a higher stream of revenue. Therefore, the profit margin for the games will increase and can be re-directed into ~~the schemes~~ research and



development. ~~Furthermore,~~ by However, operating at such a high capacity may lead to workers to suffer under pressure and as a result become demoralised and demotivated which will lower their productivity and efficiency. As a result, ~~at~~ the reputation of the Commonwealth Games may suffer if ~~the~~ employees customer service levels decrease or if the stadium does not appear as agreeable as ~~customers~~ ^{consumer} expect. This will decrease repeat ticket purchase from spectators, and thus will affect future demand for the games. In judgement, a high capacity utilisation will ensure that unit costs remain low so that the games can maintain high profit levels. The most important factor however, is ~~that~~ ^{the} reputation of the Games as it such a prestigious event in the sporting industry and as such having high capacity will portray a good ~~brand~~ image of the event as the stadium will be filled with supporters, & illustrating the events prestige and popularity which will encourage spectators to come to the event.

Level 4: 8/10

This response shows a reasonable grasp of the business concept capacity utilisation, having started with a useful definition. This knowledge is both thorough and accurate when you review the response as a whole.

Chains of reasoning (analytical commentary) are acceptable given the explanation of why increased capacity utilisation can lower unit costs per unit and how the extra surplus (profits) might be used to support research and development.

The reference to workers suffering under pressure, and the consequences of being demoralised and demotivated, provides balance in the response. This is further developed by



the suggestion that workers at the Commonwealth Games may not provide good customer service.

There is clear application of the concept to the context of the Commonwealth Games given the reference to the £184m costs of the Alexandra Stadium, international athletics, spectators, ticket purchases and sporting industry. However, reference to either the 30,000 or 18,000 post Games capacities may have demonstrated more effective use of quantitative data given the nature of this question.

Overall, the candidate's judgement is that the Games should operate at high levels of capacity given that it is a prestigious event and therefore popular.

Not as good as response 1, given that knowledge and understanding is not completely convincing and the less effective use of quantitative data. Nonetheless, near the bottom of Level 4 (8 marks) given the balanced chains of argument and use of context.



12 Mark Questions

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	<ul style="list-style-type: none">• Isolated elements of knowledge and understanding – recall based.• Weak or no relevant application to business examples.• Generic assertions may be presented.
Level 2	3-4	<ul style="list-style-type: none">• Elements of knowledge and understanding.• Which are applied to the business example.• Chains of reasoning are presented, but may be assertions or incomplete.• A generic or superficial assessment is presented.
Level 3	5-8	<ul style="list-style-type: none">• Accurate and thorough knowledge and understanding.• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).• An attempt at an assessment is presented using quantitative and/or qualitative information.• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.
Level 4	9-12	<ul style="list-style-type: none">• Accurate and thorough knowledge and understanding.• 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.• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.



Paper 3 2022 Question 2(c)

Response 1

Other than trade protectionism, Northfield Cycles future success could depend on other external influences.

(c) Assess the significance of other external influences on the future success of Northfield Cycles.

(12) 1102c

An external influence is anything from outside of the business that affects its day-to-day operations.

External influences such as the government could have a positive impact on future success. This can be seen with the 'cycle to work' scheme and 'fix your bike' scheme. By offering up to £10,000 to help fund equipment it means consumers have an incentive to buy a bike. This is because they are now made affordable to consumers. This scheme will boost demand for bikes and Northfield cycles will see a huge growth in sales. As a result, revenue increases and the business can grow further.

However, schemes such as the 'cycle to work' scheme may also drive down the price as the increase in demand may mean the increase in start-ups of bike shops. This would negatively impact Northfield cycles as more competition means less sales. ~~Maybe~~ This may even be if they can charge lower prices



as some consumers may be more bothered about convenience of getting the bike rather than lower costs. As a result, increased competition ~~could~~ would reduce Northfield's productivity.

In conclusion, an external influence such as those schemes will boost sales for Northfield and increased competition could give them an incentive to be more innovative. This will benefit them in the long-run as they can differentiate from competitors.

Level 4: 11/12

This candidate's response shows accurate knowledge and understanding of external influences through an appropriate example relating to government. The positive impact on Northfield Cycles of the Cycle to Work and Fix your Bike Schemes are identified and developed.

A counterargument is introduced and developed to explain why the Cycle to Work Scheme may damage Northfield Cycles by referencing the encouragement of start-ups in bike shops and the competition (another external influence) it might encourage.

The overall conclusion introduces the idea that Northfield Cycles may need to be more innovative in order to compete in the longer term. This could have been explained more fully to score 12/12



Response 2

Other than trade protectionism, Northfield Cycles future success could depend on other external influences.

(c) Assess the significance of other external influences on the future success of Northfield Cycles.

SPICED

(12) 10^{02c}

External influences include interest rates, exchange rates and economic climate.

Exchange rates will affect them as they will want a strong pound as they are large importers. Importing '95%' of products from 'China', 'Taiwan', 'Malaysia' and 'Vietnam'. Therefore, a strong pound means imports are cheaper as they can buy more as the pound is worth more in relation to other currencies. Therefore, they can increase sales and output, leading to a higher capacity utilisation and therefore, spreading fixed costs over more units, meaning average unit cost decreases, therefore, profitability is increased and so is profit, which can be reinvested into their expansion projects, helping them ~~to~~ gain a competitive advantage over rivals such as ~~competitors~~ 'black bay hill cycles'. However, if the pound is weak imports will cost more and they will be forced to increase prices, which will lead to less sales as bikes are typically price elastic, reducing their competitiveness.

Interest rates will affect Northfield Cycles as ~~if~~ if interest rates increase then people will be ~~forced~~ encouraged



Save and discouraged from borrowing, therefore, they will buy less luxury products such as 'E bikes' - meaning Northfield may see a decrease in sales & revenue as a result. However, making them less competitive. However, if interest rates decrease, people are encouraged to spend and discouraged from borrowing. Therefore more bikes will be sold at a higher price as interest on loans is less, therefore sales of their more expensive 'E bikes' will increase, increasing their profitability and increasing profit, meaning they will be more competitive and will have more money to spend on R & D of products, increasing their competitive advantage over rivals.

In conclusion external influences will have the greatest affect as they are largely unpredictable and will ~~mean~~ mean business plans are harder to write and cash flow is harder to predict, leading to poor management of working capital and not being able to pay staff. Therefore lower motivation and competitiveness.

Level 4: 10/12

This response shows accurate knowledge and understanding of external influences by initially listing examples, namely interest rates, exchange rates and the economic climate. The student then goes on to explain why exchange rates, in particular a strong pound, may affect Northfield Cycles using appropriate context (95% of products from the far east, expansion projects). This argument is balanced by the student explaining the possible effects of a weak pound, especially given that bikes are typically price elastic.

A balanced analysis of the likely effects of interest rates is also examined by the student, suggesting that high interest rates might encourage saving and therefore potentially reduce sales of E bikes, whilst lower interest rates may encourage the purchase of E bikes through cheaper consumer loans.

The conclusion is rather generic relating to Northfield Cycles cash flow unpredictability, though this could have been explained more clearly.



Response 3

Other than trade protectionism, Northfield Cycles future success could depend on other external influences.

(c) Assess the significance of other external influences on the future success of Northfield Cycles.

(12)7 Q02c

Plan.

P1: Social trends.

P2: ~~economic trends~~ competitors.

One ~~for~~ external influence that will affect the future success of Northfield Cycles (NC) is the social trends. For example, currently there is a large trend in health and wellness. This is seen by the creation of the Cycle to Work scheme in 2019. This trend will benefit NC as it will see more people cycling to work, in order to get fit. This could increase sales and create a large number of new, loyal customers, which would improve profitability.

Although, other external influences, like ^{the} competitive environment may be more influential on the future success. For example, the ~~closure~~ collapse of



Action Bikes in 2019, meant that NC saw a significant increase in sales. Therefore, if a new company was to arise, then this could significantly damage NC's sales, causing a fall in profit, potentially damaging success.

Overall, due to the dynamic sports retailer market, NC is at a high level of risk from external influences as the market is always changing. Furthermore, the economic influences, like a recession potential recession will also influence NC, as people may not be able to afford bikes. Switch from cars to bikes, as a cheaper alternative.

Level 3: 7/12

This level 3 response scores 7 marks out of 12 essentially because the student simply analyses the likely effects on Northfield Cycles of two external influences, namely social trends and competitors.

The student explains why the large trend in health and fitness might benefit Northfield Cycles in terms of sales and potential profits. Second, the closure of Action Bikes in 2019 is used in an attempt to help explain why a new company might damage NC's sales and profits.

Sadly, the student does not provide any balance to their response and the last point regarding recession is not fully developed. Therefore the student did not access Level 4, given a lack of balance/evaluation.