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GCE Business 9BS0 02

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Introduction

This paper proved to be more accessible than last year. It is pleasing to report that topics such as business culture and shareholder/stakeholder concept are better understood compared to previous series. Timing did not appear an issue for most candidates, with all questions attempted. As always, the best candidates revealed good subject knowledge and wrote well structured answers. The strongest responses revealed the ability to fully develop a few arguments, supported with appropriate information/data from the extracts. These candidates were then able to write a supported conclusion/judgement which revealed perceptive insight into the nature of the business. Weaker candidates tended to reveal gaps in knowledge for certain topics, made several points but with limited development and tended to 'lift' material from the extracts in a descriptive manner rather than using it selectively to support arguments. Conclusions tended to be superficial or they simply summarised previous arguments.

Centres should be aware that if they submit candidates work of excessive length in relation to the time allowed, they may be investigated for malpractice.

Question 1(a)

This question proved to be accessible. Most candidates revealed understanding of a business angel and explained a relevant benefit. The skill of application tended to be more variable, with most students only gaining one mark of the two available

1 (a) Explain **one** benefit to Tom Pellereau of using a business angel as a source of finance.

(4)

A business angel is an external source of finance through investment. This is beneficial for Tom Pellereau as it allowed him to generate a huge £250000 of finance into his business idea with no repayment. This means they can spend more on innovation as cosmetic products are a dynamic market.

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Examiner Comments

This response gained 4 marks. The knowledge mark was for the benefit of the finance not having to be paid back. The application mark was for the investment of £250 000 and recognition that cosmetics is a dynamic market. The analysis mark was for recognising that the finance enabled the business to innovate.

1 (a) Explain **one** benefit to Tom Pellereau of using a business angel as a source of finance.

(4)

A Business angel is an external source of finance typically someone who is interested in the businesses successfulness. One benefit to Tom Pellerau from getting this source of finance is that it will help to fund the initial stages of the sete up of the business and aid growth as more investment can be spent on research and development. Therefore an ~~angle~~ business angel is a very effective method of external finance for Tom Pellereau.

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Examiner Comments

This response was awarded 2 marks. The knowledge mark was for an understanding of a benefit of a business angel and the analysis mark for the use of the finance to fund initial research and development. There was no evidence of application in this response.

Question 1(b)

This question generated a wide variety of responses. Although there were a large number of correct answers, the majority of responses were incorrect. A typical mistake was that candidates failed to recognise that inventory is a current asset. Often the correct formula was stated, but in the calculation of current assets candidates would fail to add the figure for inventory to receivables and cash. The inventory figure would then be subtracted. Consequently this resulted in many incorrect answers.

(b) Using the data in Extract B, calculate the acid test ratio for Stylideas Ltd in 2024 to 2 decimal places. You are advised to show your working.

$$ATR = \frac{CA - I}{CL}$$

$$CA = 1.39 + 1.03 + 0.12 = 2.54$$

$$\frac{2.54 - 1.39}{1.56} = \frac{1.15}{1.56} =$$

$$0.74 : 1$$

ResultsPlus
Examiner Comments

This is a correct calculation with workings included. 4 marks

(b) Using the data in Extract B, calculate the acid test ratio for Stylideas Ltd in 2024 to 2 decimal places. You are advised to show your working.

Acid test Ratio = $\frac{CA - \text{Inventory}}{CL}$

CA = 0.12 + 1.03 = 1.15

ATR = $\frac{1.15 - 1.34}{1.56}$ = −0.15

~~AT~~

~~ATR = CA~~

ResultsPlus
Examiner Comments

Correct formula and BOD given for current assets of 1.15. However, the candidate has mistakenly subtracted the inventory figure, resulting in an incorrect answer. 2 marks.

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Examiner Tip

Candidates need to practise how to use the figures in a ratio analysis calculation as well as memorising the formula. It is always a good idea to show the workings.

Question 1(c)

This proved to be a very accessible question. It is pleasing to report that the majority of candidates understand the concept of distinctive capability. Most students understood the benefit(s) of innovation and provided developed arguments supported by examples from the extract. A variety of valid counter arguments were also provided. These included other distinctive capabilities, as well as the guidance provided by Sir Alan Sugar and/or the role culture of the business. Most answers were well structured and included a final conclusion. However, some conclusions were too brief or simply summarised previous arguments.

(c) Assess whether Stylideas Ltd's distinctive capability of innovation is the main reason for its success.

(10)

innovation is the ability to be creative and think outside of the box. This may be the main reason for Stylideas sucess because their products which are innovative such as a £54.99 beauty fridge sells 250 units per week which means the business is generating on average a revenue of around £13,700 per week. Because of this stylideas profits may increase which may lead to them reinvesting these profits into more innovative products which moreover may create more demand and help stylideas succeed as a business.

on the otherhand innovation may not be the reason for stylideas sucess it may be the fact that they are supplying to huge reteilers such as Boots and superdrug which would allow their product to be seen more and get more publicity. Because of Stylideas selling to large reteilers they may experience a surge in demand as people trust that what the big companies

FMOP

supply will be good. This may lead to an increase in revenue and therefore an increase in profits which could be used to help the business suceed.

overall innovation is a large reason for stylolosp sucess as their products are like no others on the market. In the short term innovation may be helping the business suceed but in the long term the business may want to try other methods to maintain this sucess like promotions or marketing. The most important factor when deciding whether innovation was the main reason for sucess was how well these innovative products are selling and as one is generating around £13.7k per week it seems innovation is rather significant

ResultsPlus
Examiner Comments

This response was awarded 9 marks. It is well structured, with separate paragraphs for each argument and the conclusion. Each argument is well developed and is consistently supported with selective information from the extract. The conclusion is supported and does more than simply summarise the previous arguments, by making perceptive judgements.

(c) Assess whether Stylideas Ltd's distinctive capability of innovation is the main reason for its success.

(10)

innovation is introducing a new idea or product to the market.

They ~~access~~ sell several market-leading products ~~It~~ They ~~offers~~ offer customers products that may be hard to get hold of in the UK. It has allowed them to gain a competitive advantage over competitors by differentiating their products and offering products ~~that~~ like anti-wrinkle and anti-ageing devices that brands such as clinique probably don't offer.

ResultsPlus
Examiner Comments

This response was awarded 3 marks. It reveals understanding of innovation and the benefit of differentiation, with some relevant examples. However, there is only limited explanation of this benefit. There is no counter argument. A conclusion is provided.

Question 1(d)

Most students revealed understanding of the business cycle. The best responses made effective use of the data/information in the extract and used this to support well developed arguments often using the concepts of price and income elasticity. Counter arguments were generally less well explained. Weaker responses tended to write generic responses regarding how any business could be affected by the different stages of the business cycle.

(d) Assess the likely effects on Stylideas Ltd of changes in the UK business cycle.

(12)

The UK business cycle refers to how ~~w~~ the UK economy is performing.

One likely effect on Stylideas of the unexpected growth in the UK economy is increased demand. GDP ~~went from~~ grew by 0.4% in 2023 ~~to~~ and then 0.9% in late 2024. This increase in growth levels for the economy means more money going through the circular flow of income, and likely more in consumers' pockets. Because Stylideas sells innovative, luxury products at relatively high prices, consumers having more disposable income, should mean increased demand as Stylideas sells elastic products, meaning their sales will increase. However, ~~the ONS~~ ~~said~~ Scott Gardner said consumer demand was weaker than expected, so economic growth may not have had the huge impact Stylideas were hoping for.

~~Another likely effect on Stylideas is~~ One reason why Stylideas may not benefit from changes in the UK business cycle is that ~~they~~ ~~a~~ they offer products not services. The ONS said "the growth reflected a strong performance by the UK's large service sector". This tells us that the biggest reason for the increase in GDP is services, which Stylideas cannot benefit from as they are a provider of products. However growth in GDP will never be a bad thing for Stylideas and while the effect may be limited due to it being down to the service sector, this will not negatively impact Stylideas.

In conclusion, the change GDP growing by 0.9% in late 2024, compared to 0.4% in 2023 should benefit Stylideas, they ~~will gain~~ should have an increase in demand if consumer incomes go up and overall the economy growing can lead to other things such as increased investment etc.

ResultsPlus
Examiner Comments

This response gained 6 marks. It reveals good understanding of the business cycle. The first argument is developed and refers to the data provided in the extract. However, it is not fully developed because there are some missing links in the chain of argument. The counter argument reveals some understanding but is not as well explained as the first argument. The conclusion simply summarises the previous arguments.

(d) Assess the likely effects on Stylideas Ltd of changes in the UK business cycle.

(12)

One ~~affect~~ effect on Stylideas of changes in the UK business lifecycle is that it could affect their sales. As the UK's economy starts to pick up again, with GDP growing by 0.9% in late 2024, then this could mean that consumers are experiencing a period of increased disposable income. For a luxury health and beauty brand like Stylideas, this could be very beneficial ~~for~~ as since they offer luxury goods, it's likely new consumer incomes are on the rise they'd be more willing to spend on luxury goods. Thanks to this, consumers could switch from cheaper competitors ~~[illegible]~~, and Stylideas could see an increase in sales which could result in them having an overall increased market share. However, 0.9% isn't a huge difference from the previous years 0.4%, which means consumers may not actually be seeing that large of an increase in sales.

On the other hand, the ~~slower~~ small growth in GDP and Bank of England halving its forecast for growth could also have a negative effect on Stylideas. With the UK coming out of a recession and the cost of living crisis, it's likely consumers are still wary about making purchases on things such as luxury beauty goods and ~~many~~ many businesses themselves could be wary to expand in this time period as a result. For Stylideas, this means they could struggle when putting out new products to market, as consumers ~~would~~ would rather save their disposable incomes as opposed to spending, and Stylideas may instead have to focus their efforts on marketing or promotional campaigns to convince consumers to purchase from them as opposed to releasing new innovative products. However, ~~it's although~~ st since Stylideas ~~offer~~ luxury products it's likely that a good portion of it's consumer base is less price conscious conscious, meaning they could be willing to purchases Styliders new goods despite the more unstable state of the economy.

Overall, I think the changes of ~~Styliders could have impact~~ the UK business cycle could have a positive effect on Styliders in the long run, as consumers regain their confidence in purchasing and their disposable incomes rise, however, in the short term Styliders should be careful with things such as expanding their operations or releasing more products as it may not be as successful as they hoped. However, this does depend on competitor actions, as they could release cheaper products that meets the markets needs, which could lead to consumers switching to competitors in this time of uncertainty.

ResultsPlus
Examiner Comments

This response was awarded full marks. It is well structured, and each argument is well developed, with consistent reference to relevant data and information from the extract. The candidate reveals good technique by making an evaluative comment at the end of each argument. The conclusion is supported and makes perceptive judgements regarding how the business could respond to the changes in the business cycle.

Question 1(e)

The general level of understanding of culture was much improved compared to last year. Most candidates could provide developed arguments for role culture and made effective use of the extracts. The structure of most answers was also better with candidates evaluating each of their arguments. Understanding of power culture was varied with a significant number of candidates considering it to be simply autocratic leadership. The quality of the overall recommendation was often a discriminator between candidates. The best judgements revealed good understanding of the nature of the business and made perceptive comments with the use of MOPS. As seen with other evaluative questions, weaker conclusions simply summarised previous arguments.

As Stylideas Ltd grows, Tom Pellereau is considering whether to change its current role culture to a power culture to maintain the business' success.

(e) Evaluate these **two** options and recommend which one Tom Pellereau should choose to maintain the business' success.

(20)

culture refers to the ways in which business' do things.

Firstly, by adapting a role culture - (which refers to the type of culture whereby it is very much focused on individuals roles) this will allow for deeper development and success of certain roles within Stylideas. Stylideas has employees who work in 'specific functions' - such as 'marketing, operations and finance' - as a result, this makes it easy for Stylideas to form a role culture, and makes the specific function, potentially more motivated - as they feel they have a sense of belonging to their role - which links with maslow's hierarchy of needs - whereby love and belonging is met, as a result a more motivated employee workforce who are subject to different roles will help improve productivity and skill within each function - leading to increased quality and output, therefore increasing the business success of Stylideas, ~~although, this may require increased recruitment, potentially being~~ however this may depend on the current ~~role~~ culture of Stylideas, and if switching to a role culture will disrupt employee work - and create disputes

To evaluate, Stylideas taking on a role culture ~~will~~ may lead to increased need for more employees. With an emphasis on the certain roles, Stylideas may need to employ more staff to take on function leads. for example Tom says he can 'now have a sales director, operations director and marketing team' - which are crucial in forming strong senses of roles within Stylideas - therefore this may requires recruitment ~~from~~ for these positions - which may come at a huge cost (for example advertising the jobs, interviews ect), therefore potentially come at a trade off for other innovations, which is very important for Stylideas, therefore hinder the success of Stylideas, although, this may only be a big short-term, one-off cost, which can also be seen as an investment - if staff are seen as an asset in Stylideas.

Moreover, Stylideas should ~~continue as~~ switch to power culture (referring to culture which focuses on power within the business - in this case - the power of different roles, Tom Pellereau holds majority of the power). As a result, this may, it may lead to quicker decision making processes, as power culture is commonly associated with Autocratic ~~or pattern~~ leadership - as a result, Tom Pellereau can 'focus on what he does best - innovation' - as this provides a faster decision making process within Stylideas, therefore making them more efficient, leading to increased productivity and output of ideas for styliddeas - leading to increased success,. ~~Although this can also be demotivating for employees, as they may feel they have less say - therefore it depending on the desire for decision making contribution - as it may limit other ideas/input.~~

To evaluate, a ~~felt~~ power culture may be demotivating for some employees, - as they may feel they have less say and input into their job. This may refer to ~~Herzberg's 2-factor theory, whereby motivating factors such~~ maslows hierarchy of needs, whereby self-esteem and actualisation are not met, therefore potentially lowering motivation in their roles, leading to ~~lower~~ less innovative ideas and output from Styliddeas' employees, ~~Also~~ leading to lower levels of success for styliddeas, and potentially raise costs for them. Although, with only '14 employees', this may not massively impact styliddeas, as not a large portion of their costs.

Overall, I think power culture will lead to most success for Styliddeas, due to the sense that Tom Pellereau will maintain most of the power - leading to no change of ways in which styliddeas do things - allowing to maintain their brand reputation. Furthermore, with styliddeas operating in ~~an~~ a dynamic, fast-paced market, power culture makes sure there is limited time wasted on decision-making - therefore maintaining high efficiency and success - especially in times of 'unexpected' economic conditions. Although, this may depend on Tim Pellereau's objectives, ~~as if they want to~~ as he may want to take on a long-term approach, whereby growth and innovative ideas from employees may be more necessary - which may stem from a more role culture.

ResultsPlus
Examiner Comments

This response was awarded 15 marks. It is well structured with well developed arguments consistently supported by the context. The limitations of each culture are also considered, showing good exam technique. The candidate makes selective arguments rather than limited development of several, again revealing good technique. The recommendation is supported and shows perceptive judgement but tends to drift off the focus of the question at the end.

As Stylideas Ltd grows, Tom Pellereau is considering whether to change its current role culture to a power culture to maintain the business' success.

(e) Evaluate these **two** options and recommend which one Tom Pellereau should choose to maintain the business' success.

(20)

A role culture is a business has specific employees to perform specific roles within the business. This will allow for employee's to feel greater motivation as the ~~have~~ feel more valued in the business due to greater amounts of responsibility. Therefore, employee's who may work on marketing may put greater effort in advertisment campaigns. As a result, the quality of promotion may rise as they display Stylideas innovative ideas and business rewards more effectively. Subsequently ~~this may improve brand image leading to sales to~~ sales may rise improving brand image as market share may increase making consumers more likely to try products maintaing business success.

However, employees may make poor decisions that could negatively impact the business. Whoever is ~~has~~ in control and finance is evident of this. This is show by a poor acid test ratio of 0.15:1 demonstrating poor liquidity. Therefore, they may be taking out to many overdrafts ~~[illegible]~~ to pay suppliers without delaying trade credit giving to suppliers. As a result, this may negatively affect the success of business as the

B is high chance of insolvency issues as they may not be able to cover debt due to less revenue being generating from low consumer demand in the economy.

However, the business may switch to a power culture. This when majority of decision making is made by the owners of the business. This may positively affect the business as quicker and more efficient decision making can be made. Therefore, if there are sudden changes to the market such a move towards more sustainable packaging due to a rise in ethical, this adaptation can be made quicker as Alan Sugar is likely to have the knowledge and expertise to make this changes. As a result, customer satisfaction is likely to rise particually when there is a change in tastes/preferences maintaing the sucess of the business.

* who is no expert in cosmetics

However, ~~thus the owners of the business may have little~~ ~~knowle~~ this may lead to a conflict of interest between the owners. As it is only Alan Sugar* and Tom Pellereau responsible for decision making this may lead to disagreements as there may be no external ~~ideas~~ input made from employees to influence decisions. Therefore, this may cause Alan to sell his 50% share negatively impacting the success of business as they may have less connections to distributes products abroad.

In conclusion they should stick to role culture as it is clearly working this is shown by its rapid sucess and turnover for more than £5 million

ResultsPlus
Examiner Comments

This response was awarded 8 marks. It reveals understanding of both role and power culture. Arguments are presented but lack effective development. Evaluation of both cultures is presented but are not well explained. Possibly due to time constraints, the candidate fails to provide an overall recommendation.

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Examiner Tip

Centres should ensure that their candidates practise how to structure 20 mark questions. There are more marks awarded for analysis and evaluation, so candidates need to understand the importance of making well developed arguments, evaluate each argument and leave sufficient time to write a supported recommendation that uses MOPS.

Question 2(a)

Most candidates understood the concept of competitive advantage and how it can be achieved through quality. The skill of application was varied, with many candidates only gaining one of the two marks available.

2 (a) Explain one reason why quality is a source of competitive advantage for Nivea.

(4)

A competitive advantage is something that gives your product an edge over other similar product.

Quality is a source of competitive advantage for Nivea as they're customers have developed a trust in the company for their quality products. This is a source of competitive advantage as it allows Nivea to create a new product and consumers will already trust that it is worth the money.

ResultsPlus
Examiner Comments

2 marks given for knowledge and analysis but this lacks application.

2 (a) Explain one reason why quality is a source of competitive advantage for Nivea.

(4)

Competative advantage means the business has an edge over the Competition with something they do. High Quality enables "consumer trust" as with good Quality people will ~~come~~ return to buy the product. this means that with high quality they will Increase Customer loyalty so they can Maintain there Clientbase as they grow further. this means that they can have a "consistent name" allowing for it to be recognised for there good quality and reputation giving them a competative advantage for growth.

ResultsPlus
Examiner Comments

4 marks awarded. The benefit of consumer trust is explained and supported by 2 relevant examples from the extract.

Question 2(b)

This question produced a variety of responses. Many candidates were able to calculate the correct market value figure but not the sales volume. Others calculated the correct figure but showed a lack of understanding by expressing it as £'s rather than units.

The average price for a Nivea product is £10.

(b) Using the data in Extract F, calculate Nivea's predicted sales volume in 2025.
You are advised to show your working.

750m.

↳ 12% = 90 million.

SV = R x P

SV = 90 million x £10

SV = 900,000,000

ResultsPlus
Examiner Comments

1 mark is awarded for calculating the market value of £90m, but there is an incorrect sales volume calculation.

The average price for a Nivea product is £10.

(b) Using the data in Extract F, calculate Nivea's predicted sales volume in 2025.
You are advised to show your working.

$\frac{750}{0.12}$ 3 = 90 mil

90 ÷ 10 = 9

£ 9 million

ResultsPlus
Examiner Comments

3 marks are awarded. It shows a correct figure of 9 million, but a mark is deducted for expressing it in £'s.

Question 2(c)

The understanding of exchange rates and interpretation of charts continues to be a challenge for many students. A significant number of candidates wrongly interpreted the chart by stating that the euro had appreciated. Consequently, these responses only gained low level marks. However, those candidates who correctly interpreted the chart were able to write developed arguments explaining the benefits to Tesco resulting from an appreciation of the £. Counter arguments tended to be weaker, resulting in conclusions that lacked balance. Candidates who failed to use the data were unable to access the higher level marks.

Euro

Tesco imports Nivea products that are manufactured in Germany.

(c) Using the data in Extract G, and any other relevant information, assess the effect on Tesco of the change in the £ exchange rate from August to December 2024.

(10)

The change in £ may be useful for Tesco as it allows their imports to be cheaper. For example, the exchange rate in August was just over €1.15 to the pound, this increased to around €1.21 in December. As a result, if the price of each Nivea product remains the same from the supplier, then Tesco is spending less money per product as the value of the £ has increased. Therefore, Tesco can achieve a greater profit margin as they can benefit from these lower ~~costs~~. costs of sales.

However, it may not effect Tesco ~~as much as~~ by much as the ~~changes are~~ ~~relationship with the supplier may mean that they have adapt the exchang~~ exchange rate impacts all buyers, not just Tesco. Therefore, it may become more accessible for consumers -

who already have a great brand relationship with Nivea - take advantage of this and buy directly. Or, as the factory supplies all UK businesses, if Tesco does not lower prices accordingly then ~~they~~ consumers may switch to alternative brands. Especially if, as per Porter's five forces, there is intense rivalry. Therefore, if Tesco has to adjust prices accordingly, ~~they~~ it may mean their profit margin does not shift.

Overall, as the skincare market is expected to continue to grow ~~to around~~ over the coming years, the ~~[illegible]~~ influx in exchange rate may benefit Tesco by allowing them to achieve greater success in selling Nivea products ~~at~~ for lower prices.

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Examiner Comments

This response was awarded 7 marks. It interprets the chart correctly, makes use of the data and explains a benefit of a stronger £. The counter argument is valid and explained. The conclusion is supported by previous arguments.

(c) Using the data in Extract G, and any other relevant information, assess the effect on Tesco of the change in the £ exchange rate from August to December 2024.

(10)

Exchange rate is how much one currency is worth to another. The ~~exch~~ change of the exchange rate would have a positive impact on Tesco's. This is because it has increased from roughly from 1.16 to 1.2. ~~This means although it won't effect Tesco's money extremely, it means the amount~~. This means the money recieved by the German company will be higher, as the exchange rate is higher. Therefore, Tesco will benefit as they can spend the same amount of pounds, but their manufacturers will recieve more money. Therefore, leading to happier and more consistent imports as manufacturers are happier as they gain more money of each given product. Therefore, leading to increased imports, which could benefit Tesco's of gaining ~~£~~ Economies of Scale. Therefore, could allow them to lower prices.

which would increase sales and revenue; Also help their profit maximisation

On the other hand, this could be non-beneficial for Tesco. This is because the exchange rate ~~fluctuates~~ fluctuates and does not stay the same. This means ~~it may~~ there is possibilities of it going back down. This means the imports of Mixer product may decrease. Therefore, Tesco is unable to keep up with the surges in demand. Therefore, loss of customers and reputation. Leading to decrease in sales and revenue.

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Examiner Comments

This response gained 3 marks. It recognises that the £ has appreciated but the explanation of the benefit is confused. The counter argument lacks validity and was not credited.

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Examiner Tip

Exchange rates is a topic that regularly appears in both this paper and others. Centres are therefore encouraged to revise this topic using past exam questions to ensure their candidates develop confidence in analysing movements in exchange rates portrayed in charts.

Question 2(d)

This proved to be an accessible question with most candidates revealing good understanding of capital intensive production. There were many examples of developed arguments of the benefits of capital intensive production, supported by examples from the extract. Most candidates also provided counter arguments, but these tended to be more theoretical. Stronger conclusions went beyond simply summarising previous candidates. Weaker candidates thought capital intensive was about investing money into production methods.

(d) Assess the importance of capital-intensive production → machinery for Beiersdorf's new factory.

(12)

One benefit of Beiersdorf's new factory being capital intensive is that the ~~business~~ supplier company can increase its output (as it reduces human error) meaning the business can meet high demand from businesses at a faster rate. Capital intensive production is the process of using machinery as ~~a~~ the method of production, in this case, Beiersdorf uses state of the art technology, such as labelling machines in order to reduce chance of human error and improve quality. By doing this, not only does it allow the business to produce higher quality personal care products, but the business can also increase its output and capacity utilisation, as unlike the use of labour intensive production, the business can increase the ~~amount of~~ production levels without the impact of human error (e.g. fatigue). This means that, with this new capital intensive factory, Beiersdorf can supply businesses, such as Tesco at a faster rate than other suppliers who may use labour intensive production, which could lead to higher revenue for the business, as Tesco, being a ~~of~~ large business, may choose to buy Beiersdorf's products in bulk.

However, one negative of Beiersdorf's new factory being capital intensive is that the ~~business~~ company may struggle to grow in the short term due to the high costs that are a result of carrying out capital intensive production. For example, at almost €300million, the new site is the largest investment

Beiersdorf has ever made. Along with this, the business's total costs may also rise due to the fact that the new production site uses state of the art technology, which may also be expensive to use. Due to the high costs of capital intensive production, Beiersdorf may find that, although the new production levels ~~are~~ improve quality and reduce human errors, the company may not be able to experience high profitability and growth levels in the short term, due to the high costs incurred by the company to invest in the new production site. This shows that the business will likely not be able to benefit from their new factory in the short term, due to the high set up costs, therefore restricting the company's ability to grow.

In conclusion, I believe that capital intensive production ~~is~~ is important and will benefit Beiersdorf, due to the fact that the company will be able to reduce human error and improve their quality which may be more appealing to businesses like Tesco, who they supply to, meaning Tesco may choose to buy the personal care products from ~~Beiersdo~~ Beiersdorf in bulk, leading to higher levels of profitability. But this will depend on how quickly the business can pay those high set up costs of the factory.

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Examiner Comments

This response was awarded 10 marks. It is well structured with arguments that are coherent and logical. Each argument is consistently supported by selective material from the extracts. The conclusion is supported.

(d) Assess the importance of capital-intensive production for Beiersdorf's new factory.

(12)

Capital intensive production, is where businesses focus more on machinery and ~~aut~~ automation, during their production process.

One reason it may be important for Beiersdorf's new factory, is due to the fact that, efficiency, is likely to increase, and products are likely to be produced faster, and of higher quality, due to the fact the system "facilitates faster" and is "more standardised". This may allow Beiersdorf to benefit from economies of scale, as they are spreading their fixed costs among more units, this may increase Beiersdorfs profit margins, which may allow them to lower their prices, meaning more demand and therefore higher sales revenue.

However, because the system is "more standardised", it will make it harder for Beiersdorf to react to changes in consumer trends, and because there is growing demand for products "tailored for individual skin types", they may lose customers, leading to less sales

ResultsPlus
Examiner Comments

This response was awarded 6 marks. It reveals understanding of capital intensive production and explains a benefit which is illustrated by material from the extract. However, the argument lacks coherence at times. The counter argument is valid and supported by the extract but is not well developed. No conclusion is provided.

Question 2(e)

Candidates generally showed a better understanding of the shareholder v stakeholder concept compared to when it was previously examined. Arguments for stakeholders tended to be better than for shareholders. Most candidates provided developed arguments for both options, but a common weakness was that they tended to be theoretical with limited use of the context. Weaker candidates revealed confused understanding particularly of shareholder interests, with many stating that shareholders were involved in decision making. The focus of the question was on decision making but only a minority of candidates realised this, resulting in mainly generic recommendations.

(e) Evaluate these **two** options and recommend which one Beiersdorf should choose when making business decisions.

(20)

shareholders are people who bought shares in a company.

one advantage of shareholders is they give business access to more capital. this is significant because biersdof spent €300mill on their new production site. thus biendof should focus on shareholders this means that biendof can produce more products for example niveas mens skincare due to it being in high demand biersdof can increas revenue to pay shareholders larger dividers.

However shareholders can ~~increase~~ increase time taken to make decisions thus effecting biendofs efficiancy across 20,000 staff in 160 countries.

However biensdof may want to focus on stakeholders such as suppliers, for example tesco this is because they import large amounts of beiensdof nivea products to sell in the UK and across europe. As a result allowing nivea to maintain a global brand and be competitive with rivals such as loreal.

Overall I reccomend beirsdof should consider all stakeholders for example ~~employees this is because~~ customers this is because nivea have built high levels of trust due to the product quality. thus impacting beiersdofs decision making on product consistency and packaging.

ResultsPlus
Examiner Comments

This response was awarded 7 marks. It reveals understanding of both shareholders and stakeholders. Arguments are presented with some use of context but are limited. The conclusion is generally superficial.

(e) Evaluate these **two** options and recommend which one Beiersdorf should choose when making business decisions.

(20)

Shareholders are people who own shares in the business, for example Michael Herz. By focusing only on shareholders when making business decisions, Beiersdorf is likely to make decisions that has the sole aim of increasing profits. For example, reducing costs by using cheaper packaging and increasing capacity utilisation. By reducing costs and increasing profit, shareholders are able to recieve a higher dividend and therefore be more satisfied and so continue to invest in Beiersdorf. The continued investement can therefore allow Beiesdorf to continue to grow rapidly and increase its multinational corperation to over 100 countries and employ more than 20,000 people, therefore becoming a market leader.

However, by focusing on profit maximisation through reduced costs, Beiersdorf may begin to use unsustainable packaging and inorganic products, which is more likely to create pollution and therefore build a poor reputation by not being socially responsible or ethical. Especially due to the growing demand for natural and organic products, this behavior can therefore reduce sales of Beiersdorfs skincare products, leading to a reduced market share and poor brand image.

On the other hand, Beiersdorf could consider all stakeholders when making business decisions. Stakeholders are anyone that is affected by business decision, for example employees, customers and suppliers. By considering all stakeholders, Beiersdorf is likely to make more informed, socially responsible decisions such as increasing the product range. By doing this, customers are more likely to feel valued, resulting in increased loyalty and therefore increased market share.* Furthermore, employees are more likely to feel like an assets

and therefore increases motivation which can increasec productivity and efficiency, leading to increased values of £750m.
~~of~~ leading to increased growth of 5%.

However, considering all shareholder groups can be a difficult process due to many of them clashing and not having the same wants or needs. Because of this, fair decisions that benefit all shareholders ~~[illegible]~~ will take longer to make, therefore Beiesdorf is less likely to make competitive decisions through tactics to stay competitive against Bulldog or L'Oreal and therefore reduce its competitive advantage. From this, Bulldog or L'Oreal may be more able to increase their market share by attracting customers through strategies or tactics.

In conclusion, Beiesdorf operates ~~ma~~ as a global brand with 20,000 employees across 160 countries and therefore has a large amount of shareholders to consider which may be difficult to do, however, to maintain its known global brands such as Nivea, it's important to continue to be an ethical brand and therefore consider all shareholders, especially due to the influence of social media being able to impact the growth of this brand. Furthermore, it is important to retain customer loyalty by considering customers when making decisions to ensure competitive advantage of Nivea's brand through quality is maintained.

ResultsPlus
Examiner Comments

This response was awarded 16 marks. It is well constructed with separate paragraphs for each argument. There is a good understanding of both concepts with well developed arguments consistently supported by relevant information from the extracts. Evaluation is shown by an explanation of a limitation of each approach. The conclusion is supported and justified but lacks focus on decision making.

Paper Summary

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

1. Ensure you have good understanding of the entire specification
2. Practise calculation questions regularly
3. Understand the requirements for the different types of questions on the paper
4. Develop exam technique by understanding how to structure answers to different questions
5. Remember that analysing fewer points in more detail will always result in higher marks compared to identifying several points with limited explanation
6. Evaluation questions require the ability to consider 2 opposing arguments and provide a conclusion
7. For 20 mark questions, try and use the concept of MOPS when making a justified recommendation
8. Try to avoid writing lengthy answers that require additional pages. The space provided in the exam booklet should be sufficient.

Grade boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link: https://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html

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