



Examiners' Report

June 2024

GCE Business 9BS0 02

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Introduction

This paper proved to be more challenging than those in previous series, resulting in a slight fall in the average mark. This was due to poor understanding of topics including shareholder returns, capacity utilisation, task culture and lean production. Some of these topics have not been examined before. Centres are advised that candidates are expected to show understanding of the entire specification and not to use previous exams as a guide to future questions.

As usual exam technique was a key discriminator between weaker and stronger candidates. The best responses revealed good understanding of the topics examined and the ability to make selective, well developed arguments, consistently supported by relevant information from the extracts. The skill of evaluation was evidenced by the ability to offer well developed counter arguments leading to a supported conclusion. The use of 'MOPS' was evident in the more sophisticated recommendations for the 20 mark questions.

Weaker candidates tended to show significant gaps in knowledge and often made too many arguments with limited analysis and use of information in the extracts. Often they would fail to provide a conclusion.

Question 1 (a)

This question proved to be accessible for the vast majority of candidates, who were able to provide an understanding of mission statements and/or a benefit. Most candidates also gained an analysis mark for explaining a benefit of a mission statement. The skill of application was more varied, with fewer candidates gaining marks for application by relating their answer to the actual business.

1 (a) Explain **one** benefit to Vidsy of having a mission statement.

(4)

one benefit to vidsy is that a mission statement is that it makes them look attractive to potential clients. and this will lead to more customers because they are open and their mission ~~tasks~~ brings out their goals. This ~~will result in an increase in~~ increase in clients will therefore result in an increase in turnover and overall brand image due to their statement.



This response was awarded 2 marks. It shows understanding of a benefit of a mission statement which is explained. However it fails to gain application marks as there is no specific reference to the actual business.

1 (a) Explain **one** benefit to Vidsy of having a mission statement.

(4)

A mission statement is a companies public goals to achieve, which is known to consumers.

A benefit is motivated employees. This is because the 7000 digital creators will want to be seen as successful to clients such as: Coca-Cola and L'Oréal, in order to purchase service to promote their business on social media platforms. Therefore, the digital market company will be more productive and "build the global creative ecosystem for brands and creators to thrive on digital." As a result, Alex Morris company will gain a positive reputation and increase brand awareness across international market.



This response gained full marks. It begins with a correct definition followed by an explanation of a benefit supported by at least 2 relevant examples from the extract.

Question 1 (b)

This question produced a variety of responses. There were a significant number of candidates who incorrectly stated the formula for Return on Capital Employed. A more common fault was that candidates incorrectly calculated capital employed, despite remembering the formula and correctly calculating operating profit. This appears to be a weakness that has occurred in previous exams and centres are encouraged to focus on this when preparing future candidates. Some candidates failed to express their correct final answer as a % or to 2 decimal places, which led to the deduction of one mark.

- (b) Using the data in Extract B, calculate Vidsy's return on capital employed (ROCE) for 2021. State your answer to two decimal places. You are advised to show your working. (4)

$$\text{ROCE} = \frac{\text{operating profit}}{\text{capital employed}} \times 100$$

$$\text{capital employed} = \frac{\text{non-current liabilities} - \text{total equity}}{(\text{total assets} - \text{total liabilities})}$$

$$\text{operating profit} = \frac{\text{gross profit}}{(\text{revenue} - \text{cost of sales})} - \text{other operating expenses}$$

$$\text{operating profit} = 3,47 - 2,55 = \pounds 0,92 \text{ million}$$

$$\text{capital employed} = \text{operating profit}$$



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Examiner Comments

This answer was awarded 2 marks. 1 mark for the correct formula and the second mark for correctly calculating operating profit.

(b) Using the data in Extract B, calculate Vidsy's return on capital employed (ROCE) for 2021. State your answer to two decimal places. You are advised to show your working.

(4)

$$\frac{\text{Operating profit}}{\text{Capital employed}} \times 100$$

$$\text{CE} = \text{NCL} + \text{shareholder funds.}$$

$$\text{Gross profit} - \text{expenses} = \text{operating profit}$$

$$3.47 - 2.55 = 0.92$$

$$15 + 0.31 = 15.31$$

$$\frac{0.92}{15.31} \times 100$$

$$= 6.01\%$$



ResultsPlus
Examiner Comments

This response was awarded full marks. It correctly states the formula, followed by correct calculations of both operating profit and capital employed. These figures are then applied to the formula to produce the correct answer which is expressed as a % and to 2 decimal places.



ResultsPlus
Examiner Tip

Always show your workings when completing calculation questions.

Question 1 (c)

The topic of shareholder returns appears to be poorly understood by many candidates. A common mistake was that it was considered to be a source of finance rather than the rewards given to shareholders such as dividends and a rising share price. The strongest responses provided a well developed argument for prioritising shareholder returns supported by the context, followed by a well developed counter argument supported by the context. This led to a conclusion that directly answered the question. The skill of application was variable with many generic answers.

(c) Assess whether Vidsy's directors should focus purely on shareholder returns in the company's business decisions.

(10)

Shareholders returns is then the money made from buying shares of a business. Vidsy director should focus purely on shareholders returns as they then their shares are owned by of 40%. If by shareholders meaning by focusing on returns it would enable them to receive more financial capital which could be used to make more company decisions and also used to improve on internal factors like on production. However by focusing only on doing this could mean a loss of control as they videsy owns 60% of the company so it will affect business decisions in the future. Therefore would lead to a increase in productivity and better ad video adverts however by doing this would mean a loss of control as videsy own 60% 60% of the company so it will affect business decisions in the future.



This response was awarded Level 2, 4 marks. Although it shows a misunderstanding of shareholder returns, it recognises that shareholders own 40% of the shares and focusing on them is important because they are a source of finance which could be used to improve the business. The analysis is limited and lacks context and the counter argument is not valid.

(c) Assess whether Vidsy's directors should focus purely on shareholder returns in the company's business decisions.

(10)

Shareholders are people who own a share of the company & can help make decisions. Vidsy's director should focus on shareholder returns in the company's business decisions. The founders of Vidsy own a 60% share of the company. This means that 40% of the company shares are owned by shareholders. By focusing on shareholder ~~gaining~~ ^{gaining} a return, it can make shareholders happy & keep their share of the Vidsy for longer. As if shareholders don't receive very or much returns then it can lead to Vidsy losing reputation & growth as shareholders may sell shares quickly leading to the price of shares falling & this may ~~lead to~~ ^{lead to} Vidsy ~~not~~ ^{not} being able to ~~grow~~ ^{decrease} its growth.

However, Vidsy may not want to purely focus on shareholder returns in the company's business decisions. Instead, Vidsy may want to focus on other stakeholders such as employees. This is because Vidsy employs a global community of over 7000 'digital creators'. By purely focusing on shareholder returns, it often means that Vidsy would have to reduce costs such as employee wages & pay. This means employees may not get a raise in

pay regardless of work ethic because Vidy are found
an gain return for shareholders. This can lead to
employees feeling less motivated & employees quitting
causing Vidy to have a less productive workforce. This can
be very detrimental for a business such as Vidy because employees
may not be forced to do as advised.

Overall, I believe that in the short run, Vidy
should purely focus on shareholder returns as the
company's business decisions. This is because a large
majority of Vidy's finance comes from shareholders
just when they generated £1.5m from selling shares. With
this, it can help Vidy fulfil its mission to create
a 'global ecosystem'. However, in the long run, Vidy
should focus on the stakeholders such as employees.
This is because if pay & wages are reduced for their
7,000 employees, it can cause an upset & a less
motivated workforce leading to a decline in productivity
& causing Vidy to ~~slow down~~ ^{not be able to} ~~meet~~ ^{keep up} ~~the~~ ^{demands of}
^{rapid} ~~growth~~.



This response was awarded Level 4, 8 marks. It is well structured with separate paragraphs for each argument and the conclusion. The first paragraph reveals understanding of shareholder returns and although the argument lacks application, it is developed. The counter argument is valid, developed and applied due to the reference to the '7,000 digital creators'. The conclusion is supported and shows good technique by considering both short and long term considerations, with effective use of the context



For questions that require knowledge of a specific topic, it is always a good idea to start an answer with a definition of the topic.

Question 1 (d)

This question proved to be accessible but in terms of quality, produced a wide range of answers. The most common mistake was a lack of focus on the question. Candidates would commonly provide a definition of labour turnover, but their answers would then drift into the motivational benefits of financial rewards such as improved productivity, rather than how it would reduce labour turnover. Most candidates provided a counter argument and a conclusion but often would fail to focus on how this would improve labour turnover. Consequently these responses tended to be awarded either Level 2 or lower Level 3 marks. Generally the skill of application was good, with effective use of the data provided in the extract, but only more sophisticated answers used the context of the business and the type of employees. In preparing candidates, centres are encouraged to underline the key elements of the question to ensure that their answers are consistently focused.

(d) Assess whether offering financial rewards is the best way for Vidsy to reduce its labour turnover.

(12)

The labour turnover is ^{the act of} ~~the~~ ~~act of~~ ~~businesses~~ ~~employing~~ ~~new~~ ~~staff~~ ~~as~~ ~~old~~ ~~staff~~ ~~leave~~

Offering financial rewards ~~may~~ ~~is~~ ~~might~~ ~~be~~ the best way for Vidsy to reduce their labour turnover as ~~the~~ ~~act of~~ ~~employees~~ ~~reasons~~ ~~for~~ ~~changing~~ ~~job~~ ~~in~~ ~~the~~ ~~tech~~ ~~sector~~ is for better pay. By increasing pay, or offering financial incentives such as commission on sales, employees are likely to be both happier and more motivated. If Vidsy can offer the same or better wages than its competitors, then less staff will be likely to leave, reducing Vidsy's labour turnover. Although this method of offering financial rewards may increase the morale of workers and make them less likely to leave, it will massively increase Vidsy's costs, which are already £2.55 million, meaning they may have to charge higher prices. This could lead to staff having to be ~~laid~~ ~~off~~ ~~to~~ ~~keep~~ ~~it~~ ~~with~~

their rising costs, increasing vidasy's labour turnover.

instead, vidasy may aim to increase ~~the~~ working conditions for their employees. 47% of worker's reasons for moving jobs is for better working conditions. Better conditions will make employees much happier and they will be more ~~encouraged~~ ^{willing} to work at vidasy. A positive work environment can also help boost the productivity of vidasy, which will allow them to output more of their services. This will reduce vidasy's labour turnover as staff will be much happier and less willing to leave, as there won't be better alternatives. However, these better working conditions may be expensive and time-consuming to create, and employees are seemingly more money motivated (71%) so they may not care as much for better working conditions and more for increases in their pay.

In conclusion, offering financial

rewards will be the best way for
Viddy to reduce their labour turnover,
as it will ~~also~~ benefit the largest
proportion of employees, meaning they will
have more people willing to stay.
Even though this will become expensive
for Viddy, they are likely to make
more ~~more~~ profits as workers will be
more ~~so~~ motivated to perform better,
producing higher quality services as
a result.



This response was awarded Level 4, 10 marks. It reveals good understanding of labour turnover and financial rewards. The argument for financial rewards is developed, makes use of the data in the extract and is consistently focused on improving labour turnover. It also shows evaluation by discussing a limitation of financial rewards. The counter argument is valid, developed, focused on the question with some use of context. It also reveals the skill of evaluation. The conclusion is supported and focused on the question.

(d) Assess whether offering financial rewards is the best way for Vidsy to reduce its labour turnover.

(12)

Offering financial rewards could be a great way to reduce Vidsy's labour turnover as it is supported by Taylor's Scientific Motivation Theory. Taylor focused on how money is the biggest incentive to employees and how it is the predominant factor in making staff work harder. With better pay being 71% of employees in the technology sector's reason for changing employers, it is clearly a vital factor in employees' work life. If Vidsy can obtain a high profit margin, whilst offering above-average wages, their labour turnover will reduce. However, it may not be within the financial reach of Vidsy to do so.

Offering financial rewards is not a good way to reduce Vidsy's labour turnover as it is not supported by Herzberg's Motivation Theory. Herzberg suggested the idea of hygiene factors in the workplace. This included ~~the~~ factors at a ~~low~~ level of need which makes it vital for a comfortable workplace. For example, better working conditions. 47% of the reasons for labour turnover in the technology sector is for better working conditions, suggesting it is a common issue. However, financial rewards are often the most crucial

Factor in the reduction of labour turnover as this is what allows staff to live a satisfactory life outside of work.

In conclusion, ~~many~~ financial rewards would be the best way for them to reduce labour turnover as this gives them both a practical level of safety and mental level. When employees wages are high enough for them to relax, or they are rewarded by bonuses or piece rate pay, they are more likely to work harder as they have an incentive. This would reduce labour turnover for ~~vids~~ as employees are satisfied in their work.



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Examiner Comments

This response was awarded Level 2, 4 marks. Although it identifies valid points, which are supported with the use of relevant motivational theory, there is no evidence that the candidate understands labour turnover. The arguments lack focus on the question and discuss the general benefits of improved motivation, rather than the best way to reduce labour turnover.



ResultsPlus
Examiner Tip

Remember to read the question carefully to ensure that answers are consistently focused.

Question 1 (e)

This question proved to be accessible with candidates revealing good understanding of both retained profit and external finance. The best answers provided selective, well developed arguments for both options that were well supported by use of the context. The recommendation was supported by previous analysis and made effective use of 'MOPS'.

Weaker responses tended to be generic and/or made several arguments with limited analysis often leading to a superficial conclusion. A common mistake was to confuse retained profit with organic growth and external finance with inorganic.

e) Evaluate these **two** options and recommend which one Vidsy's directors should choose to finance the company's expansion into the US market.

(20)

~~Retained~~ Retained profit is one profit accumulated over time by a business. Vidsy's decision to move/expand to US market lines to Ansoff's matrix specifically market development which is relatively high risk so Vidsy has ~~no idea~~ limited knowledge and experience from operating in the US so ~~it~~ it's important and beneficial if they ~~use~~ use retained profit when financing their growth. This is because it carries less risk as there are no interest payments meaning they won't have the pressure of paying it back at certain times and having to pay high interest. This allows Vidsy to use ~~its~~ retained profit which is likely to be higher due to its growth globally, and ~~return~~ reinvest into the success and growth of the company. This means that they will have less ~~to~~ liabilities to worry about and less cash flow problems and issues when external services if they were to have any. By using retained profit it means that Vidsy is not too focused on generating return on investment as quickly and they can focus on the creativity and services ~~that~~ provided by them and pleasing customers. This ~~means it is~~ more cost-efficient for consumers so they are pleased.

*
However, it's important for Vidsy to understand that retained profit is not likely to be sufficient to fund their growth as moving overseas to a US market (Market development) will be expensive and very risky so there are likely to be a lot of uncertainties and unpredicted expenses

as so may have to be prepared and equipped. This means that more finance will be needed. With its limited finance the company is not likely to grow at a 'rapid pace' like it wishes and there are likely to be many set backs. Furthermore, retained profits may be more profitable if it is ~~reinvested~~ reinvested elsewhere in the business, like more importantly its turnover rate, ~~with~~ with high turnover rates, video can not expect to grow rapidly or successfully as he will develop a lot of inefficiencies. It also may not be as risky as video already operates in NYC.

Another way video can finance their expansion is through external sources of finance. External sources of finance are ways of obtaining finance ^{from} outside the business. There are many ways and types of external finance which is beneficial for video as it means there are a lot of options for choosing suitable and effective finance. Video has already used venture capital in October 2021 and obtained £12 million. This is a large sum that is unlikely to be obtained from retained profit successfully. Venture capital is a useful and effective way of earning large sums of ~~the~~ money/capital that the business can use ~~and~~ ^{as the are} ~~are~~ ^{are} able to find interested investors. There are other methods that they can use such as banks through loans and overdraft, or share capital. There are ~~so~~ many options and video is not limited to just one which is greatly beneficial as it means they can easily generate the cash need to fund ~~the~~ its expansion to the US market.



This was considered to be a Level 4 response and was awarded 16 marks. It is well structured with separate paragraphs for each argument as well as the conclusion. The argument for retained profit shows good understanding and considers both the pros and cons of this source of finance, with effective use of the context through recognising the increased risk associated with entering the US market. Similarly the argument for external finance is wide ranging and developed with effective use of the context. The conclusion is supported by the previous analysis, but fails to make use of 'MOPS', which explains why it is awarded a mark at the lower end of Level 4.

(e) Evaluate these **two** options and recommend which one Vidsy's directors should choose to finance the company's expansion into the US market.

(20)

External finance is using money other than the businesses, such as family and friends.

Retained profits is the money that the business saves.

The advantage of using retained profits is that Vidsy have no debt to anyone, as it is the money that the business has made. However, as ~~the~~ the technology market is "growing at extraordinary speed" this means that there will be ~~external investors~~ threat of substitutes who can lower their prices and as the retained profit has been spent this can cause ~~the~~ ~~business~~ Vidsy's customers to go to the other business.

Another advantage of using retained profit is that the money is easily accessible.

However there won't be enough to expand into the US market for a business, and can use the retained profit to reinvest into the business or pay dividends ect.

One advantage of using venture capital is that a large sum of money can be requested as vidy has "obtained £12 million" it can be easier to expand into the US market as there is lots of competition and rivalry. On the other hand, obtaining the money ~~from~~ externally it can take a longer time, if vidy went to gain & expand the US market ~~from~~ retained profit might be a better option



This was considered to be a Level 2 response and was awarded 8 marks. It reveals understanding of both retained profit and external finance. A range of valid arguments are made, but with limited analysis and use of the context. The conclusion includes some supported judgement, but it is superficial.



For 20 mark questions, greater marks are allocated for the skills of analysis and evaluation. Fewer well developed arguments supported by relevant information from the extracts will always score higher marks than several points with limited analysis and application. The recommendation should always be supported by prior analysis and selective use of 'MOPS' to justify the recommendation – – this is key to gaining the higher Level 4 marks.

Question 2 (a)

This question was generally well answered with many candidates gaining full marks. Some candidates were deducted a mark for not stating their answer to 2 decimal places.

- 2 (a) Using the information in Extract E, calculate the difference in the operating profit margin between 2022 and 2021. State your answer to two decimal places. You are advised to show your working.

4.61% difference (4)

$$\text{operating profit} = \text{gross profit} - \text{overhead expenses}$$

$$\text{operating profit margin} = \frac{\text{operating profit}}{\text{revenue}} \times 100$$

2022 =

operating profit = 13.65 bn

revenue = 81.46 bn

2021 =

operating profit = 6.53

revenue = 53.82

$$\frac{13.65}{81.46} \times 100 = 16.74\%$$

$$\frac{6.53}{53.82} \times 100 = 12.13$$

4.61% difference

$$16.74 - 12.13$$

$$= 4.61$$

4.61% difference



ResultsPlus
Examiner Comments

This response gained 1 mark for the correct formula. The calculation for 2022 was incorrect and although the 2021 calculation was correct, it was not expressed as a %.

- 2 (a) Using the information in Extract E, calculate the difference in the operating profit margin between 2022 and 2021. State your answer to two decimal places. You are advised to show your working.

(4)

$$2021 = \frac{\text{op profit}}{\text{revenue}} \times 100 = \frac{6.53}{53.82} \times 100$$

$$= 12.13 \%$$

$$2022 = \frac{\text{op profit}}{\text{rev}} \times 100 = \frac{13.65}{81.46} \times 100$$

$$= 16.76 \%$$

$$16.76 - 12.13$$

$$= ~~4.63~~ 4.63 \%$$



This response gained full marks. Both years were calculated correctly as was the difference between the 2 years. This was stated to 2 decimal points. Although the formula was not stated, correct calculation of the operating profit margin showed implied knowledge.



For calculation questions, it is always recommended to state the formula (if applicable) and show your workings. Remember to state your answer to 2 decimal points.

Question 2 (b)

The concept of capacity utilisation is one that appears to be poorly understood by a significant number of candidates. Many responses correctly stated the formula for capacity utilisation, but the explanation for a benefit of high levels of capacity utilisation was often incorrect. A common mistake was to confuse it with increased capacity and output leading to higher sales. Application marks were varied, with many candidates failing to use elements from the extracts to support their answers.

(b) Explain **one** benefit to Tesla of its factories achieving high levels of capacity utilisation.

(4)

Capacity utilisation is the percentage of the productive capacity that is being used. Tesla were able to increase the amount of cars vehicles produced ~~between~~ by 47% between 2021, 2022. They did this by using advanced ~~robot~~ robotics and JIT stock management. A benefit is that the unit costs would be cheaper as ~~st~~ Fixed costs are spread over more cars.



This response gained full marks. It reveals good understanding of capacity utilisation and explains a benefit of high levels of capacity utilisation supported by relevant information from the extracts.

(b) Explain **one** benefit to Tesla of its factories achieving high levels of capacity utilisation.

(4)

Capacity utilisation is the amount of output a business can produce - its maximum amount of output/capacity it can achieve.

One benefit to Tesla of its factories achieving high levels of capacity utilisation is that it leads to them being able to ~~have~~ ~~be able to meet demand~~ ~~effectively~~ ~~more than~~ have less costs. This is because their capacity is being utilised more efficiently due to them producing 1.37 million vehicles while using most of its resources effectively. Therefore Tesla will have less costs as machinery such as advanced robotics are used efficiently, thus resulting in Tesla having higher profits.



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Examiner Comments

This response was awarded 2 marks. The initial definition is incorrect, but the knowledge mark is awarded for the understanding that resources are being used effectively, supported by the relevant example of 1.37m vehicles being produced, which gained a mark for application. The notion of less costs was not credited because the candidate did not specify unit costs.

Question 2 (c)

This question proved to be challenging for the majority of candidates. The concept of task culture was poorly understood, with many candidates 'guessing' by including items from the extracts but not linking them effectively to task culture. This led to many Level 2 marks being awarded. Candidates would often provide valid counter arguments, but could not be awarded higher level marks due to their limited understanding of task culture. This topic has not been examined before and based upon the evidence from this question, centres are advised to spend more time on this in order to ensure that candidates have a good understanding of business culture.

Assess the importance of Tesla having a task culture for its continued success.

(10)

A task culture is where employees are focused on their individual roles and develop solutions to current and emerging problems.

Speed effects Tesla's competitive advantage. How quickly they are able to respond to current events. Over the years Tesla's design has changed rapidly. This is to meet consumer tastes and trends. By keeping their design up to date Tesla stays relevant. ~~Some customers want~~ Design is a key factor of the that car buyers care about. So buy electric cars for the environment but still want a car that looks nice and modern. By having a task culture Tesla's design team ensures that their products meet the needs of the consumers.



This was considered to be a weak answer. It was awarded Level 1, 2 marks. It only reveals isolated elements of understanding, specifically that employees are expected to develop solutions to current and emerging problems. The development of the argument is not specific enough to the concept of task culture. There is no counter argument and conclusion.



Business culture is an important topic in the specification which appears to be poorly understood.

(c) Assess the importance of Tesla having a task culture for its continued success.

(10)

Task culture is a ~~matrix~~ matrix structure which the staffs ^{from different department} work as a team to fulfill specific target.

One advantage of Tesla having task culture is it allow ~~to~~ the workers in Tesla share their ideas which may bring benefit for the company for its continued success.

As this type of corporate culture which suggested by Handy encourages employees to develop solutions to current and emerging problems, this may motivate the staffs because they feel responsible to the business and leads to worker harder work which associate with this dynamic market because they would therefore rapidly respond to the trends and changes in the market.

This is suggested by the Maslow's social needs when employees are expected ~~not to~~ ^{being} valued in the business they would feel much more motivated. This also allow them bring fresh idea because the culture suggest employees communicate each ~~idea~~ ^{other} and share their ideas together which may improve the products' quality and their productivity as well.

However, not every employees would like to share ideas or motivated by having a task culture. Tesla may have power culture instead ~~which may~~ ^{for its} continued success.

Power culture is when the business is highly autocratic and centralised organisational structure which the leader has the most autonomy and power to make decisions. This is ~~is~~ maybe important for Tesla because it is a competitive and highly dynamic market which needs quick response to satisfy customer. As a result, ~~as~~ power culture the decision making is done by the leader, ~~wh~~ for Tesla would be Elon Musk, who may have greater experience than the lower layer of employees and may always make the right decision. Tesla would gain ~~wider~~ ^{greater} customer loyalty as it responds to the customers very quickly which leads to higher sales & revenue.

Overall, I think Task culture leads Tesla ^{continued} ~~to~~ success because as the ~~the~~ employees bring new ideas which may further benefit the business because ~~the~~ this maybe unique selling point which the competitors don't have the idea to satisfy ~~the~~ customers. However this culture has to depend on the ability and experience of the employees.



This was considered to be an excellent answer and was awarded full marks. It reveals good understanding of task culture and includes a well developed argument of the benefits of task culture with effective use of motivational theory. It is also consistently supported by relevant information from the extract. The counter argument of power culture also reveals good understanding, is well developed and contextualised. The conclusion is supported by the previous analysis and directly addresses the question.

Question 2 (d)

The concept of lean production appears to be well understood by only a minority of candidates. The majority of candidates understood that it focused on the minimisation of waste, but were unable to fully explain how Tesla used lean production to gain a competitive advantage despite reference in the extract to its use of JIT and advanced robotics. A significant number of candidates confused lean production with CSR, specifically the environmental benefits of minimising waste. Other candidates confused lean production with other production methods such as batch and flow. The majority of candidates provided valid counter arguments, but due to their lack of understanding of lean production, they were unable to access the higher level marks.

(d) Assess the value of lean production as a source of competitive advantage for Tesla.

(12)

lean production is the process of minimizing waste to improve cost efficiency

To Tesla lean production is vital for a source of competitive advantage, as they are able to charge lower prices, these cost cuts ~~can be~~ from areas such as stock storage can be passed to consumers, thereby raising sales volume and maintaining their 21% market share, thereby giving the competitive advantage of market power and grown economies of scale, such as technological, in their high efficiency robots. However lean production, such as the Just in time method come with risks of suppliers being late, thereby incurring a fall in sales, shareholder confidence and worsening of Tesla's image ~~was~~ causing a fall in the \$1.46bn of 2022's revenue

Another cause of competitive advantage due to lean production is the ~~cost~~ minimization of time waste, as ~~it~~ workers improve lean production through entrepreneurial ideas of improved productivity and efficiency. It's contribution ~~is~~ ~~to~~ ~~the~~ ~~company's~~ ~~competitive~~ ~~advantage~~

Capacity utilisation and faster response to ~~the~~ the dynamic market's changing preferences, ~~the~~ meaning lean production allows for the competitive advantage of lower costs and higher revenues, meaning market power over competitors as well as suppliers.

However this encouragement and emphasis on high capacity utilisation and lean production may overwork employees and thereby demotivate

the causing absenteeism and lower productivity, causing a fall in competitive advantage as costs rise and output falls, ~~increasing~~ lowering contribution and competitive advantages of lower costs.

All in all the value of lean production is immense as it is the focus of Tesla and responsible for their status of the world's most valuable vehicle manufacturer by share price, thereby directly improving competitive advantage in the dynamic market as methods such as Just in time are perfect to fast response to market trends.

However ~~the~~ the risks shouldn't be overlooked as Tesla is in high demand, selling up to 1 million units of a single electric car model, ~~the~~ which should then be subject to sudden demand spikes.

which just in time and lean production can't respond to, meaning a transfer of customers to competitors, thereby directly negatively impacting ~~the~~ Tesla's competitive advantage.



ResultsPlus
Examiner Comments

This was considered to be a Level 4 response and was awarded 10 marks. It explains how the use of lean production techniques such as JIT and advanced robotics enables Tesla to reduce its costs by minimising waste. Evaluation marks are also gained by recognising the limitations of JIT in the context of Tesla.

The following argument also considers the advantage of efficient use of time through lean production resulting in improved productivity and capacity utilisation. Although a valid argument, it is not as strong as the previous paragraph because the link to lean production is insufficient.

The conclusion is supported, balanced, focused on the question and well contextualised.

(d) Assess the value of lean production as a source of competitive advantage for Tesla.

(12)

Lean production is valuable as a source of competitive advantage for Tesla as it reduces waste in production. Tesla uses Just in time management which reduces stock levels, reducing costs for the business and making it more liquid. This is important for Tesla as the market it is in is very dynamic with ~~the~~ changing consumer tastes and preferences. If demand falls for one of its cars, the company won't be massively affected as JIT means stock levels of that car won't be high, reducing waste overall.

However, if there is a rapid rise in demand for one of Tesla's products, they may struggle to reach this demand as they won't have any cars already produced for customers. ~~This~~ This could delay lead time for many customers' orders, damaging brand image and resulting in a loss of customers. Therefore, Tesla may benefit more from a more traditional just in case management ~~to remain~~ as a competitive advantage as, due to the company's cars having a high sales volume of over 1 million cars being sold, they are likely to sell off all of their stock anyway meaning stock hold costs won't be that high.

However, lean production is more cost-effective meaning Tesla can benefit from economies of scale ~~allowing~~ ~~them~~ ~~to~~ ~~be~~ ~~in~~ ~~the~~ ~~long~~ ~~run~~

prices and be more competitive with more competitive pricing in the market, gaining Tesla a higher market share.



ResultsPlus
Examiner Comments

This was considered to be a Level 3 response and was awarded 7 marks. It correctly identifies the benefit of waste minimisation from lean production by specifically focusing on JIT. Although there are some inconsistencies, the arguments for JIT are developed with use of context. The counter argument regarding the limitation of JIT is valid. However no overall conclusion is provided.



ResultsPlus
Examiner Tip

The additional marks awarded for 12 mark questions compared to 10 mark questions are for analysis and evaluation. To gain the higher level marks, arguments need to be well developed, leading to a supported conclusion.

Question 2 (e)

This question proved to be accessible in terms of quality, and provided a wide variety of responses. The best answers revealed good understanding of both market penetration and product development. Selective, well developed arguments supported consistently by the context were provided for both options, leading to a judgement that focused on which one would achieve the objective of increasing market share. The most sophisticated judgements made effective use of 'MOPS'.

Weaker candidates commonly revealed poor understanding of market penetration, often confusing it with price penetration or market development. Another common mistake was to discuss how Tesla could increase its market share, rather than the merits of each option.

(e) Evaluate these **two** options and recommend which one Elon Musk should choose to achieve the objective of increasing Tesla's market share.

(20)

Market penetration is when ~~you~~ low prices is set to take out the competition and gain market share. By ELON Musk focus on it for the electric truck market it will allow him to access a large market as it valued at 392 million. And by entering with market penetration it may work as consumers ~~may also~~ usually cater to ~~general~~ motivational. ~~As a study was conducted~~ ~~which~~ ~~employ~~ And by them coming to the ~~market~~ electric truck market it will allow him to take up market share. As the average price for an electric truck is 20,000.

However, By Elon implementing market penetration it may lead to retaliation from those other companies already in the market like Volvo they may follow and copy them. Also, market penetration isn't guaranteed to work as consumers may value the quality over price and they have loyalty towards a certain brand. Therefore

not allowing elon to take up
market share

Product development is when
you focus on improving the product. By
Elon focusing on this he will build
a better reputation for Tesla because producing
higher quality electric cars may allow
him to charge more premium prices
and unique selling point. Consumers will see
Tesla take caring consumers trying to make
the best possible product and Elon will build
loyalty with his brand and gain market share
as we have seen Apple is the phone industry
dominate having built that loyalty with customers
and they have over 36% market share in
the UK. And he can charge that high price due to forecast growth ^{in the market}

However, focusing on Product development will mean
that elon will have to charge a higher
price, and consumers may not agree and
not purchase. Also it may lead to them
to go for substitutes therefore reducing Tesla's
market share

Overall, I think that ~~the~~ Elon should
should focus on product development and ~~they~~
~~having~~ been Tesla has been producing electric
cars for a decade and seeing that
government incentives are forcing the more companies
~~to use~~ all increased use in electric vehicles.
Having already been in the market so long
they already have advantages in technology and
consumers already know, so there is no need to
use market penetration as they're already well
established.



ResultsPlus
Examiner Comments

This was considered to be a Level 2 response and was awarded 6 marks. It shows incorrect understanding of market penetration by discussing Tesla's entry into the truck market. This argument contains some elements of knowledge and understanding, but the arguments are limited.

The argument for product development also contains elements of knowledge and understanding, but lacks context because it does not focus on the electric truck market. Consequently it lacks application. There is limited development of the arguments both for and against product development.

The conclusion is superficial because it is not based upon the previous analysis.

e) Evaluate these **two** options and recommend which one Elon Musk should choose to achieve the objective of increasing Tesla's market share.

(20)

Market penetration would involve Tesla continuing to sell their existing car range to an existing market. Whereas product development would involve Tesla developing their new products (the truck) and selling it to their existing market according to the Ansoff matrix.

~~One~~ The electric car market is a rapidly growing market with lots of ~~pot~~ potential for companies such as Tesla to grow in. Focusing on market penetration in the market for Tesla is likely to be a low cost option for Tesla and also come at a lower risk. Tesla already produce a range of four different cars therefore by focusing on marketing those existing vehicles Tesla could gain more attraction on their vehicles and therefore increase number of sales. As market penetration is a lower cost method of ~~not~~ increasing market share Tesla's costs would remain relatively low. This would ensure that Tesla are price competitive. This is important as the electric

car market is highly competitive and consumers are likely to be price conscious. Therefore prices are going to be inelastic and if Tesla prices increase customers may go elsewhere to other EV manufacturers.

However a large drawback to only using market penetration is that in '2023' Tesla held a market share of 21% being the world's most valuable vehicle manufacturer by share. Therefore with Tesla's existing product range they already have a very strong market share and growth with their existing product range may be limited.

On the other hand Tesla could use product development by selling electric trucks. This method of increasing market share is likely to largely benefit Tesla as the Electric truck market is predicted to grow exponentially over the next 6 years and valued at '\$3924' in 2020. This therefore leaves a large gap in the market for Tesla to exploit. As Tesla's existing vehicles are the highest selling EVs in the market, Tesla are likely to have a very strong and positive brand reputation. Therefore consumers are

more likely to trust Tesla and want to purchase electric trucks from them. This therefore presents an easy opportunity for Tesla to largely expand their market share in

The truck sector. ~~The~~ Tesla are also ahead of competitors in developing their electric truck therefore they could be one of the first to produce a fully electric truck resulting in the ability to charge premium prices on the vehicles. ~~Testas~~

However a large drawback to Tesla ~~of~~ developing the new cybertruck is that creating an entirely new vehicle range would require Tesla to change and adapt production processes and employ more workers such as workers with expertise in manufacturing trucks as the company has not yet produced a truck. Therefore costs of growing market share in this way are likely to be very high. This is further impacted by the lack of charging infrastructure ~~by~~ for these vehicles. Therefore this external factor could cause Tesla to struggle to sell the new range as consumers can't charge them, this therefore makes it more of a risk to the company.

In conclusion, I think the best way for Tesla to increase market share is through ~~the~~ product development by developing a new range of trucks. This is because the ~~the~~ electric truck market is forecast to largely grow by 2030 and presents an opportunity for Tesla to grow in as they're currently limiting themselves by having a very limited product range. The new trucks is also likely to increase economies of scale as production increases. Tesla also have an extremely efficient manufacturing system, achieving high levels of capacity utilisation. This may reduce the cost impacts of the new truck as it can be produced at low costs as Tesla spread their fixed costs further as capacity utilisation increases.



This was considered to be a Level 4 response and was awarded 16 marks.

It is well structured with separate paragraphs for each argument. Good examination technique is shown by beginning with a correct definition of both strategies.

Each argument is well developed and supported with consistent use of the context. Evaluation is awarded throughout this response because the limitations of each option are also considered.

The conclusion is supported by the previous analysis and the recommendation is focused upon the objective of increasing market share. Its only weakness is that there is limited use of MOPS.



Practice 20 mark questions under timed conditions to ensure good preparation for the actual exam.

Paper Summary

Based upon their performance in this paper candidates are offered the following advice:

- ensure that there is understanding of every topic in Themes 2 and 3 of the specification
- remember to show your workings for calculation questions and state the answer to 2 decimal places
- selective well developed arguments will always gain higher marks than many arguments with limited development
- remember to use relevant information from the extracts to illustrate each argument
- to gain the highest level marks for 20 mark questions, develop the skill of using 'MOPS'

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>

