



Examiners' Report

June 2024

GCE Business 9BS0 03

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Introduction

This report provides feedback on 9BS03 – Investigating business in a competitive environment. As with previous years of this paper, candidates and centres receive pre-release information regarding the context of the paper. This year the context was the 'clothing retail and manufacturing industries and the businesses operating in this market.' Extracts for this paper related to this context. Students could prepare for this paper with research, however, as in all previous years of this qualification all questions were accessible without prior research.

This report is designed to give feedback and guidance to teachers and students, and exemplify responses from students in the 2024 series. The report can be used for general reference and as a teaching and learning aid in the classroom. Comments and tips are designed to help candidates and centres understand our overall assessment approach, as well as identifying tips for improvement.

Question 1 (a)

This question invited candidates to assess two financial consequences of Vinted operating as a private limited company. The best responses clearly focused on the financial aspects. The most common arguments suggested that there might be limitations on the amount of capital that could be raised, compared to a public limited company where share capital can be sought from flotation. Also, many candidates recognised that being a private limited company meant the majority owners Milda and Justas maintained financial control.

The command for this question was 'assess two', which invites candidates to explain two consequences and then evaluate each of these. A significant number of candidates either evaluated one of the consequences, or wrote one-sided responses without evaluation. In both cases this limited the marks achieved.

Whilst candidates found the question accessible, there were some common errors or limitations that reduced the marks achieved. These included: weak definitions of private limited companies only selling shares to friends and families; mixing limited and unlimited liability; confusing private and public limited companies; misinterpreting the 250m Euro share capital raised as a different source of finance.

Answer ALL questions. Write your answers in the spaces provided.

SECTION A

Read the extracts (A to C) in the Source Booklet before answering Question 1.

- 1 (a) Assess **two** financial consequences of Vinted operating as a private limited company.

(8)

In this case, one financial consequence of Vinted operating as a private limited company would be its ability to raise large amounts of share capital in a short amount of time.

This is because they are able to sell off percentages of their business to friends and family in return for money.

As a consequence, Mitkute and Janauskas are able to reinvest this money back into Vinted and to help fund the expansion into new markets.

However, a drawback of operating as a private limited company in order to raise finance would be the dilution of power and ownership.

This is because, although the two founders are still major shareholders, if someone was to buy more than 51% of the shares, ownership would no longer lie with the founders.

As a consequence, Mitkute and Janauskas may not have a say in decision making.

Another consequence of Vinted operating as a private limited company would be smaller amounts of profit going to the owners.

This is because with more and more shareholders buying a percentage

of Vinted, there are more dividends going out and less profit to go around.

As a consequence, Vinted may not be making a large of a profit and therefore shareholders will get small amounts of profit.



This response is applied well to the Vinted extract and shows good basic understanding of private limited companies. However, there is an undeveloped second consequence and evaluation of this. Also, the candidate's explanation of control and decision-making is not clear. It is not necessarily the case that all shareholders will be board members, and so the potential for disagreement is not obvious. The limited opportunity for profit for the shareholders needs further development and explanation.

This response scored 5 marks, mainly for the development and application of the first financial consequence.



Be clear about the key features of different forms of business ownership. Private limited companies are legally separate from their owners, who are shareholders with limited liability. These shareholders can be anyone invited by existing shareholders to buy shares – this may include family and friends, but in the case of Vinted could be other external shareholders. Financial consequences of ownership will relate to the ability to raise capital, the treatment of debt if the business fails, and the treatment of dividends.

Answer ALL questions. Write your answers in the spaces provided.

SECTION A

Read the extracts (A to C) in the Source Booklet before answering Question 1.

- 1 (a) Assess two financial consequences of Vinted operating as a private limited company.

(8)

A private limited company is a company with limited liability but ~~the~~ shares cannot be publicly traded. One financial consequence of this to Vinted would be that they cannot easily raise capital through ~~the~~ the sale of shares. This is because as a private limited company, their shares can only be privately ~~the~~ sold. This means that Vinted would first need to find somebody to buy their shares ~~the~~ to sell their shares rather than just be able to sell them publicly like a public limited company. This may be important to Vinted as if they need a large amount of capital quickly, they can't simply sell their shares on the market. However, this does not mean that Vinted can't sell their shares as seen with them raising €250M in share capital.

Another financial consequence of Vinted operating as a private limited company

would be that Vinted may not have to worry about paying dividends to their shareholders. This is because ~~there~~ there aren't a lot of different shareholders with a private limited company meaning that things like sharing profit can be discussed privately rather than giving dividends. This may allow Vinted to be able to keep profits to themselves and with their business model of taking a percentage of the sale cost may mean that ~~the~~ Vinted ~~run~~ run a low profit margin meaning that keeping as much of their profits as they can is important.



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Examiner Comments

This response is developed and explores two financial consequences. The first consequence is applied well, and there is a counterargument about Vinted still being able to raise 250m Euros in share capital, despite there being limitations on how much a private limited company can raise. The second consequence has developed chains of reasoning, but it does not have a counterbalance.

This response achieved 7 marks.



For 8 mark 'assess two' questions, aim to include a counter balance to both of your arguments. These can be fairly short, but they need to demonstrate evaluation through balance.

Question 1 (b)

This 10 mark question required candidates to assess whether the clothing market was dynamic. Candidates who had completed research from the pre-release information were able to bring in examples of market dynamism. Fast fashion and its implications was one common example. The best responses were those that clearly referred to the market and the businesses that operate in that market. The extracts in the paper provided suitable evidence to demonstrate application, and the best responses used this to support analytical chains of reasoning.

The main features of answers that limited performance were those that focused on a business, rather than the market overall; general arguments about 'changes in sales', rather than causes of dynamism such as technology, sustainability, and in this case the rise of second-hand purchases and the circular economy; not using the extract A or B to apply answers.

(b) Assess whether the global clothing market could be considered a dynamic market.

(10)

A dynamic market is one in which there is rapid and continuous change.

The global clothing market could be considered a dynamic market, due to the rise of ~~second~~ resale clothing. The second hand clothing market will grow 3x faster than the global clothing market overall. This suggests rapid growth is occurring. This is perhaps due to ~~it~~ ~~but~~ 70% of customers saying it's easier to shop secondhand now than 5 years ago. If the ease of doing this continues to grow, this makes the secondhand clothing market grow ~~faster than~~ ^{even more,} thus, creating ~~change~~ continuous change in the overall global clothing market.

However, with 22% of online returns, this has drove many fashion brands back into traditional retail. This may suggest that the global clothing market may have changes in the short term, but as the downsides of online retailing begin to show, the overall clothing market may return back to traditional ways.

Despite this, the global clothing market could be considered dynamic due to the frequent criticism of fast-fashion brands. ~~this~~ E.g. 42% of global consumers say they prefer to purchase eco-friendly and sustainable products. This has lead many ~~fast~~ fashion brands to adapt their clothes and production to meet these changing

needs, becoming more market oriented, in order to be the first brand to offer customers what they want in a dynamic market. This has meant lots of brands have invested in innovation to ensure eco-friendly and sustainable products, e.g. new ways of creating clothes (e.g. by using naturally-sourced and sustainable cotton). With changing customer needs and wants, it has created a shift in the fashion market.

However, 58% don't ~~say~~ prefer to have a preference for eco-friendly and sustainable products. This may be due to the cost of living crisis, meaning many consumers needed to purchase from fast fashion brands in order to get a low selling price.

This may mean that, yes, the global clothing market is dynamic to an extent - with the rapid growth for sustainable clothes, but due to the economic climate (e.g. high inflation), it may mean many customers don't have differing preferences, thus making the global clothing market somewhat stable.

Overall, the global clothing market is dynamic, due to the rise of secondhand clothing, changing customer preferences to more eco-friendly clothes, etc. However, it depends on the economic climate - if inflation is high, ~~customers may~~ demand for fast fashion brands may increase, as these are likely to be price elastic clothes. It also depends on individual differences - 50% look online and then purchase in store, and 50% do the opposite. Therefore, it could be argued the global clothing market isn't dynamic, it is just there is always going to be differing opinions.



This response scored 10 marks. It answers the questions, is applied by using the data in the extracts, and includes developed chains of reasoning analysing how and why the clothing market may be dynamic. The response is also well balanced, with counterarguments to each point raised. The conclusion identifies some important 'depends on' points that support the overall judgement. This is one approach to writing a conclusion in these 10 mark questions. It is not expected of candidates to include a developed judgement to the extent that might be the case in higher mark questions.



When using information from the extract, aim to explain the significance of that information and how it supports the point you are making. For example, in the first paragraph of this response, the candidate uses the information about the second-hand clothing market and then relates their point to the question – the second hand market could continue to change even more (through growth), suggesting dynamism.

(b) Assess whether the global clothing market could be considered a dynamic market.

(10)

A dynamic market is a market that is constantly changing.

The global clothing market includes lots of huge brands like Nike, Adidas and etc. Adidas that constantly produce new styles of clothing. There are hundreds of brands in the market, meaning that is very competitive. Aspects like "fast fashion" within the clothing market means that products within the market are constantly changing due to new customer trends and wants, confirming that the clothing market is a dynamic market.

However brands like Ralph Lauren who sell clothing like polo shirts have continued to stay popular and in fashion for years. Without a known drop in demand.



This response is a good example of one where the candidate has brought in their wider business knowledge that may have been due to research conducted before the examination. The examples are strong and support one line of argument. There is also an attempt at counterbalance. However, there is no use of the extract at all, and no other lines of argument about whether the clothing market is dynamic.

The response achieved 5 marks.



For higher level marks aim for more than one line of argument, and in this case, more than one reason for the clothing market being dynamic. For paper 3 you can use valid examples from your prior research and knowledge, but also try to include some of the information from the extract in the paper to support your answers further.

Question 1 (c)

This question was generally well answered. Students found the specification area accessible and many were able to apply answers effectively, either from examples in the extract or their prior research. The potential counterbalance came from recognising the factors, other than business ethics, which might be the reason for Vinted's success.

(c) Assess the importance of business ethics to the success of Vinted.

(12)

Business ethics refer to how a businesses morals are incorporated into their operations such as fair pay to workers and accounting for environmental issues such as carbon emissions. Vinted being ethical is important for their success as that is their strong unique selling point in the market. This is because they describe how goods, such as clothing, are recycled and re-sold. Vinted is ethical because of this as they are encouraging consumers ^{to} resell their clothing items so others can buy off them instead of ~~be~~ being apart of fast fashion by buying off fast fashion websites and encouraging unethical behaviour such as overworked staff who work for fast fashion brands. The importance for ethics can therefore be argued as a leading factor in Vinted's success as they are offering what consumers are now interested in as '42% of global customers prefer to purchase eco-friendly and sustainable products'. Without Vinted giving that option to consumers they would struggle to be successful in the saturated market as they would not be differentiating to rivals which would decrease their profits and consumers of '45 million'.

However, ~~being~~ Vinted following ethical codes of

practice may not be as important in success. This is because as through statistics it is shown that 58% of consumers are not interested in 'eco-friendly and sustainable products' which shows that first hand clothing brands still dominate the market and consumers would rather ignore bad ethics that is present in them brands and spend more money on clothes that have only been worn by them. This means that Vinted having a unique selling point as being ethical may not be as successful in attracting consumers compared to the success of first hand brands. People tend to ignore ethical considerations as it is not directly an issue to them which means they may lack knowledge and understanding on the benefits to society from Vinted's unique selling point. As well, consumers can be selfish when fulfilling their own needs, therefore they would rather go with convenience of shopping instore instead of having to find good quality, authentic clothes on Vinted and they are less likely to take part in selling their own clothes on Vinted as it is time consuming to package and deliver.

Overall, ethical considerations are important to Vinted maintaining success as they would damage their USP and be criticised for greenwashing. It is also important to consider that whilst first hand clothing

Still dominates the clothing market, the interest of sustainability and being eco-friendly is undeniably growing in recent years as people have become more aware of many brands unethical behaviour. This means that their objective of being ethical is sustainable as the second hand clothing market is likely to keep growing. As well, Vinted don't need staff to produce and sell clothes which benefits their USP as 93% of fashion businesses pay their workers unfair wages.



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Examiner Comments

This response includes a clear explanation of business ethics, and extensive use of the extract to support its main arguments. It is also balanced, including evaluative points about the extent to which ethics is important. In the judgement the candidate recognises that Vinted is a re-sale platform, and not a traditional retailer, explaining how this impacts on the overall judgement.

The response gained 12 marks.



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Examiner Tip

When writing judgements, aim to refer back to the question and address it directly. A good conclusion will give one or two overall reasons for your judgement which may, for example, relate to the type of business. It is not effective to repeat previous arguments in your overall conclusion, unless these are further developed.

(c) Assess the importance of business ethics to the success of Vinted.

(12)

Business ethics refers to the lengths a business goes to to ensure their production or service is ethically friendly, in terms of their workforce as well as the products they provide.

Vinted seems to be aiming to sell affordable clothes in the most suitable way, which is through the use of reselling. In the UK for example, research was found that around £1,100 is spent on clothing per capita in 2022, compared to around £400 in the lower economically developed ~~comp~~ countries. This leaves us to assume that a lot of the clothing is going to waste in the UK, which may be due to fast fashion. However, Vinted aims to change this ~~using~~ by being part of a circular economy. This means that the clothes they offer encourage people to be able to buy high brand as well as low brand clothing for a cheaper than retail price. Vinted also ensure that their products are cleaned and only worn / washed a certain amount of times, to prevent a customer dissatisfaction. As second hand clothing is a growing market, Vinted has more of an advantage as it is one of the better known brands and this ~~is~~ would make it easier for people to donate to charities through Vinted because it would allow customers to be able to do this via an online platform which is preferred nowadays.



This response features a well-developed and extremely well applied paragraph, explaining the importance of business ethics. Knowledge and understanding is clear. However, the answer is not developed beyond its first line of argument. Although a counterargument is attempted, it isn't clearly linked to other sources of Vinted's success.

It was awarded 6 marks.



Use separate paragraphs to provide breadth and balance to your responses. This supports the clarity of your arguments.

Question 1 (d)

Question 1d followed the established structure of a scenario for a business with two options to choose from. In this case the business in question was UK based retailer, Mango, considering from where to source its clothing – either China or Turkey. There was a wide range of qualitative and quantitative data in the extracts for students to use in supporting their evaluations and judgements. The best responses used this data to support extended chains of reasoning. Successful candidates recognised that Mango themselves are not clothing manufacturers, but retailers.

Less successful responses simply quoted data from the extracts in a descriptive manner, without these being used to support analysis. A few candidates applied their answer to Vinted, rather than Mango.

Clothing retailer Mango aims to deliver the latest fashion trends to its UK customers. It is reviewing the source of its clothing inventory (stock). It is considering two options, either continue to use suppliers from China, or change to suppliers based in Turkey.

(d) Using the data in Extract C, evaluate these **two** options and recommend which one is likely to support Mango's aim of delivering the latest fashion trends to UK customers.

(20)

By changing suppliers to those based in Turkey, Mango would be able to remain ethical whilst also benefitting from Turkey's "easy access to raw materials". Mango would gain a better reputation for changing their suppliers to Turkey due to the fact that it is more ethical as manufacturing clothing in China is known to be cheaper quality with exploitation of workers. Even though, China has \$275.76 billion in value of textile exports, Mango would benefit more from operating in Turkey as not only would they gain a good reputation for not exploiting workers but due to the existence of trade blocs, Mango would have access to the UK market easily due to Turkey's "free trade agreement" with them. As Mango "aims to deliver the latest fashion trends in the U to its UK customers", operating in Turkey would give them a huge advantage. Moreover, Turkey has a "skilled workforce" which is "protected by strong labour laws" so Mango knows that they won't get a bad reputation for exploiting workers which could deter UK customers from wanting to purchase from them in comparison to other clothing brands like "Hugo Boss and Zara" who have "already set up in Turkey as a production location". As well as that, as they have "easy access to ~~cotton~~ raw materials, such as cotton", Mango can

benefit from lower costs of production which can be a pull factor to operate in Turkey as a production location ^{for} their clothing products and make them price competitive to attract UK consumers.

However, it can be argued that it will be costly to set up manufacturing in Turkey after already being established in China. Not only would this result in resistance to change but it would significantly raise Mango's cash outflows in the short-term. This is because stopping operation in China to start producing their fashion line in Turkey means that there would be high start up costs to purchase land in Turkey and build a factory. Not only that, there may be delays due to the fact that ceasing production in China and moving existing stock would be costly. Mango may have to pass on the high cost onto consumers in the form of high prices which would deter UK consumers from purchasing their clothes and return Mango can't achieve their aim.

It can be beneficial for Mango to remain in China due to the fact that Mango is already used to producing in China. Mango and many other "clothing brands" have been utilising China's "large labour force, low labour costs, clothing manufacturing technology, and high product quality." This means that as Mango is used to working in China they should keep manuf-

acturing their clothing there as it would mean that they would experience diseconomies of scale in Turkey due to language barriers and it may take time for Mango to sort out any issues in the production process of their clothes. Moreover, China have a specialised work force with trained and skilled ~~staff~~ workers which means that it may be a waste for Mango to move their operations elsewhere as it ~~is~~ would be meant that any expenditure on training would go to waste. As well as that, it may damage Mango's reputation as they are transferring operations in Turkey due to their "skilled workers" and "access to raw materials, such as cotton". This is because ~~the~~ Chinese staff may feel wronged as they would lose their jobs which creates tension with the clothing brand.

However, it can be argued that there may be resistance to change in the Chinese factory of Mango due to the fact that employee/employer relations may suffer as a result of them moving production elsewhere. Moreover, ~~even~~ though China has over 50% of 55% of value of textile exports in the Asian market, as their "average factory wage doubled between 2013 and 2021", this means that Mango would be experiencing a high cash outflow and as a result would have to pass on high cost of production to consumers which would deter UK customers from purchasing from Mango (even

though UK citizens spend \$1097 per capita on clothing."

In conclusion, Mango should operate in Turkey due to the fact that they can benefit from "easy access to raw materials" and can have access to the UK market through "free trade agreement". As a result of that, Mango is able to keep their aim of delivering the latest fashion trends to UK consumers. Although, in the short run, Mango may face high cash outflows when ceasing operations in China and setting up in Turkey but that's outweighed by the long term benefits of achieving their aim. As they operate in a dynamic market, Mango is able to benefit from operating in Turkey where they have "skilled workforce" which gives them a unique selling point and allows them to compete on cost with "H&M and Zara" who have already set up there. Even though China has a large population and they spend \$800 per capita on clothing, Mango would benefit more from operating in Turkey as they also have high levels of tourism so they can also target UK customers visiting Turkey.



This is an excellent answer that achieved a full 20 marks. It is clearly structured, featuring lots of supported application from the extracts. Importantly, the 'recommendation' aspect of the response is well developed and extensive. This recommendation directly answers the question suggesting how the recommended option of Turkey will support Mango in 'delivering the latest fast fashion'.



Aim to give sufficient time and space for the recommendation of your chosen option. For top level marks, this should add reasons that you haven't previously mentioned for your recommendation. These reasons could be derived from the Market, Objectives, Product/Service, or Situation that the business is in. For this question, being clear that Mango is a retailer selling fast fashion, and not a producer of clothing, is important.

Question 2 (a)

This question assessed students' knowledge and understanding of factors that affect demand in a market. The focus on demand factors, such as consumer income and substitutes/competition, was the key to successful answers. Again, this eight mark question required candidates to assess two factors – explaining how the two factors are important, but also evaluating each one with counter balance. Trends and fashions were factors often chosen by candidates as a factor, which is understandable given the context.

Generally the answer was answered well. Where candidates achieved less well, answers were referring to supply factors, or more general marketing mixed type suggestions.

SECTION B

Read the extracts (D to G) in the Source Booklet before answering Question 2.

- 2 (a) Assess **two** factors that could influence the demand for new clothing sold by Jonathan Trumbull Ltd.

(8)

Demand is the rate at which consumers are wanting to buy a product or service from a company.

One factor that could influence the demand for new clothing sold by Jonathan Trumbull Ltd is Consumer trends and tastes. Because the clothing market is so dynamic with its rapid changing in trends influenced by social media, seasonal trends and also celebrities, Jonathan Trumbull is the perfect store for this dynamic market as they offer a range of products over three stores: Trumbull, a traditional men's clothing store; Ginger, a high-end women's fashion store; and Hatter, which focuses on more contemporary fashion. Having this wide range of products and three stores this will influence the demand for the company as the business is made reliable and trustworthy to customers. Increase customer loyalty as consumers are always guaranteed to find a product to fit their needs and wants over the three stores that 'Jonathan Trumbull' owns.

Another factor that could influence the demand for new

Clothing sold by Jonathan Trumbull is a factor called income. It's simple really. If income rises consumers are going to have more disposable income and are more likely to treat themselves to a high end or luxury item and the business sells clothing from a variety of 'brands, including Armani, Tom Ford and Moschino' which are all luxury items. So the demand will increase for the business's new clothing items if the income rises because customers will be likely to treat themselves to a high-end product or even buy a product as a present. Jonathan Trumbull also sells products such as 'an extensive range of suits and formalwear' which people will purchase as incomes rise because customers are more likely to spend money on an expensive dinner or a luxury weekend away which means they will need formal wear as a complementary item to their luxury getaways.



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Examiner Comments

This response demonstrates excellent chains of reasoning, clear knowledge, and widespread application. However, there is no counterbalance to either of the demand factors that are identified: consumer fashions and trends and consumer disposable incomes.



When 'assess' is the command word, remember to counterbalance your arguments, in this case, why each factor affecting demand may not be important, or what the impact of these factors might depend on.

SECTION B

Read the extracts (D to G) in the Source Booklet before answering Question 2.

- 2 (a) Assess **two** factors that could influence the demand for new clothing sold by Jonathan Trumbull Ltd.

(8)

Demand is the desire for a product which is formed by its target customers

~~on the one hand~~ ^{one factor} which could influence the demand for new clothing sold by Jonathan Trumbull Ltd is ~~mentioned~~ as Porter's 5 forces states, the rivalry amongst firms is potentially if there are competitors who meet the customers needs better and are able to "sell clothing from ... Armani, Tom Ford, and Moschino" ~~at~~ at a more competitive price, customers may feel incentivised to buy from these rivals instead and so the demand for Jonathan Trumbull Ltd's clothing may drop. However, this could depend on the (through Kay's distinctive capabilities) the reputation of the rivals as if they're known for poor quality service, this may not affect Trumbull Ltd's demand as much

The second factor that could influence Trumbull Ltd's demand is the 'range of suits and formalwear' as if it has a greater volume, this could

better meet the needs of the customer, therefore resulting in its potential brand loyalty of customers, meaning that customers will have greater demand for Jonathan Trumbull Ltd's new clothing. However, if there isn't ease of access to the clothing such as in store/online they may have a lower demand as ^{information} "50% of customers are likely to look at a product online and buy it in a physical store"



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Examiner Comments

This response does not include accurate knowledge and understanding of demand factors. The candidate has attempted to use Porter's five forces model, but unsuccessfully. The attempted second factor used is range of clothing offered by Jonathan Trumbull, which is more a supply or marketing factor.



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Examiner Tip

Accurate knowledge of demand and supply factors is important in answering questions about the market in which businesses operate. Use the specification to learn these key terms and concepts, so that questions such as this can be answered accurately.

Question 2 (b)

Scenario planning concerns businesses identifying possible changes in situation and devising plans that can address this. It is sometimes referred to as contingency planning, and where candidates used this term, they were rewarded. This question required students to assess the importance of scenario planning to a local clothing retailer. The main specification examples of scenarios to be planned for are IT system failure, succession planning, and natural disasters. Extracts D and E provided examples of potential IT issues and scenario planning. Successful responses used these examples and developed them to address the question.

It was clear that scenario planning was not well understood by a significant number of candidates. There were a number of responses that referred erroneously to planning in general, or mistakenly to critical path analysis, decision trees, or cash flow forecasting. Some weaker responses described how scenario planning might be used for changes in demand, or fashion, more common day-to-day issues for a clothing retailer that would not require specific plans.

(b) Assess the importance of scenario planning for Jonathan Trumbull Ltd.

(10)

Scenario planning is where a business plans for things that may happen in the future in order to act efficiently.

Scenario planning may be important for Jonathan Trumbull as they are looking to grow and expand online. Expansion of e-commerce could cost 30% more than the original set up costs which means that there is a lot of capital tied up in those investments. Competitor, Urban Outfitters have experienced an increase of 150% ~~sales~~ online sales due to e-commerce so it may also be positive for Jonathan Trumbull. However, if the website does not work out, Trumbull can be able to move forward. They could use recovery planning in order to work out how they can get back to normal (eg) looking at sources of finance and guidance they could utilise moving forward. However, it

they do the research effectively to start with then scenario planning would be as important.

Scenario planning may not be dramatically important to Jonathan Trumbull as all the key employees have been reliable for many years. The company was founded in 1971, meaning that with over 50 years of experience, they are likely to have reduced risk anyway by already making more informed decisions. David Kingsley is a son of the founder and is still a director and a manager whilst Beckie Kingsley is the manager of the Ginger collection. This may ~~be~~ mean there are deep rooted ways of doing things that could mean these employees don't need to plan as much for the future. It may however be beneficial in order to see who can carry on the values when those Kingsley leave.

In conclusion, I think that scenario planning is quite important as there is changes in expansion of e-commerce and lots due to creditors which needs to be accounted for to minimise risk.



This response analyses examples of scenario planning accurately in context. In this case IT failure and succession planning are exemplified. The extracts are used thoroughly to provide context, so that chains of reasoning are clear and well developed. The judgement is brief, but the response showed sufficient depth and balance to achieve the top of the Level 4 mark band.

The answer achieved 10 marks.



Use the extracts to provide both examples and guidance about the specification area being assessed. They are included to support your answers and allow you to demonstrate knowledge and understanding of the business specification.

(b) Assess the importance of scenario planning for Jonathan Trumbull Ltd.

(10)

Scenario Planning is making plans on possible future actions to exploit opportunities.

This is important because it allows Jonathan Trumbull Ltd to set targets and have necessary resources secure. For example the company was 'founded in 1971'.

That is over 50 years and that leads to an increased chance of an accident occurring. For example, the

buildings they use or the electricity could be very old.

So, in case of a disaster like a fire happening, their stock should be kept in multiple buildings, so if some are destroyed, their profits aren't completely lost, and can allow them to continue to expand.

However, the 'estimated expansion costs' ranges between '£25,000 and £30,000'. This is very expensive, so by spending some of those costs in preparing in case a disaster happens, can hinder the company's chance of expansion if the disaster doesn't occur. But it will help the company massively in continuing to sell if the disaster does occur.

In conclusion, Scenario Planning is important because due to the company being over 50 years old, probability of disasters is higher, so it gives the company a chance to continue to succeed and expand to 'e-commerce'.



Here, the candidate explains the need for scenario planning to mitigate the risk of IT failure, particularly given the projected expansion costs for Jonathan Trumbull. This is a strong line of argument that was rewarded with the lowest Level 4 mark. However, the answer does not develop further, or include any other possible scenarios Jonathan Trumbull might face. If it did so, successfully the mark would have been high in the Level 4 range.

This response achieved 7 marks.



Aim for more than one line of argument when completing an 'assess' question. In this case it might not be possible to write as much as the first point this candidate makes, given the time limit, but the aim should be to include more than one example or reason.

Question 2 (c)

Quantitative business skills are central to the specification. In paper 3, these skills are assessed as calculations which form part of an assessment question. This question is an example of this question structure. Given Jonathan Trumbull's statement of financial position – extract F – candidates were required to assess its liquidity position. The question directed candidates to use liquidity ratios, so successful responses would include current ratio and/or acid test ratio calculations. Where candidates only calculated the ratios and did not attempt to use these answers to these calculations as part of an assessment of liquidity, then marks could not be higher than the lowest L3 marks because there would not be 'an attempt at assessment' as outlined in the level descriptors.

The most successful answers included understanding of the wider business context and recognised, for example, that inventory for a clothing retailer will be unsold clothes, which could be difficult to liquidate, given changes in fashion and tastes.

Less successful responses included candidates who did not attempt to calculate ratios, and simply described the statement of financial position, or those that completed calculations successfully, but did not use the results of these to make an assessment of the business' liquidity position.

(c) Using the data in Extract F, and liquidity ratios, assess whether Jonathan Trumbull Ltd's liquidity position has improved from 2021 to 2022.

(12)

$$\text{current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

$$2021 \quad \frac{1032463}{417974} = 2.4701 = 2.47 \rightarrow \text{use of assets} = \underline{\underline{61\%}}$$

$$2022 \quad \frac{1144702}{345824} = 3.3100 = 3.31$$

$$\text{acid test} = \frac{\text{current assets} - \text{inventories}}{\text{current liabilities}} \quad 0.825$$

$$2021 \quad \frac{1032463 - 687560}{417974} = \frac{344903}{417974} = 0.83$$

$$2022 \quad \frac{1144702 - 639340}{345824} = \frac{505362}{345824} = 1.46$$

$$\text{working capital} = \text{current assets} - \text{current liabilities}$$

$$2021 = 614489$$

$$2022 = 798878$$

In some ways it can be argued that Trumbull's liquidity position has improved from 2021 to 2022. This is due to the acid test ratio. In 2021 it was 0.83:1, whereas in 2022 it was 1.46:1. This indicates that Trumbull is in a stronger financial position.

in regards to their ability to pay back their liabilities. This ratio is the best indicator of liquidity, as, unlike the current ratios, it does not account for the value of stock. In the clothing industry, the value of inventories is extremely unpredictable, due to trends and differences within the dynamic market. Cash that is tied up in stock is not guaranteed to be sold, and so should not be referenced in relation to liquidity, especially in clothing markets, due to the uncertainty of changing preferences.

However, the current ratio does indicate that in 2021, Trumoull's are ~~are~~ making better use of their assets, as 2.47:1 is closer to 1.5:1 than 3.31 in 2022. This could suggest that Trumoull's have unutilised assets, which could be costing them. However, I don't believe this is an issue, due to the stock management processes they have. We ~~see~~ see that within the statement of financial position, the cash in 2022 is £491,844, compared to £299,732 in 2021. This demonstrates that new cashflow and stock management

is improving, and that their method of management for their website being outsourced by Swan retail is working efficiently.

In conclusion, their increase in cash indicates that they are in a better position to pay their debts, which relates to improved liquidity, and also, their working capital is higher at $\pounds 798878$ compared to 614489 .



This response achieves 12 marks. The liquidity ratios are calculated accurately and used to support developed chains of reasoning about the liquidity position of Jonathan Trumbull. There is accurate understanding of the ratio calculations and of improved liquidity. There is also counterbalance, with the candidate recognising that the business may have underutilised assets, but also that this may not be a problem given the stock management system it uses.



As well as calculating ratios, a key quantitative business skill is interpreting the results. An answer on its own may be of limited use without it being interpreted and related to a business situation. Liquidity deals with turning current assets into cash, something crucial to the success of any retailer, but particularly one that sells items that may be subject to changes in fashions and tastes.

Question 2 (d)

The final question on this paper required candidates to compare the options of developing its current physical (bricks and mortar) store or expand its online store. Both options involved developing the current retail channels that Jonathan Trumbull utilises. Recognising this was important for candidates to answer this question successfully.

This question was generally well answered, with successful responses using the information in the extracts to support their arguments. The financial information about the relative costs of each option were used by many students who answered strongly. Again, the best responses were those that included a well-developed recommendation, after detailed evaluation of each option.

Weaker answers often saw candidates arguing that Jonathan Trumbull should open more stores nationally, which was not an option. It is crucial to answer the question as posed.

To compete with new businesses, such as Urban Outfitters, Jonathan Trumbull Ltd is considering either improving its physical stores in Norwich or expanding its online sales.

(d) Using the data in Extracts D to G, evaluate these **two** options and recommend which one will help Jonathan Trumbull Ltd compete effectively.

(20)

A multinational company is a business that operates on a global scale within more than one country.

Trumbull should focus on improving its physical stores as the 3 as people who shop there are loyal to the brand as it has been around since 1971, people will keep visiting these stores as they trust the quality of clothing and like the fashionable, classic casual wear. Therefore by improving its physical store in Norwich will increase customer satisfaction as well as giving a competitive advantage over Urban Outfitters. However, improving Trumbull's physical store in Norwich costs money as the estimated expansion costs for one of these stores ranges between £250,000 and £30,000 which is a costly expense for a small business just to gain a

competitive advantage over businesses such as multinationals like Urban Outfitters. Multinationals are hard to compete with because they develop a global brand which means they are noticed on a global scale. However, if Trumbull improves/creates more awareness of its brand through marketing and advertising, as many people may not know they sell brands such as Armani, Tom Ford and Moschino. This would increase customers' needs with more disposable income and are interested in inferior goods. This will allow more people to want to travel to Norwich and witness the improvement of physical stores. One thing which will give Trumbull a competitive advantage is they will have better customer service than Urban Outfitters as they operate on a smaller ~~scale~~ scale and therefore can listen to customers' needs and wants better.

However, to compete with Urban Outfitters Trumbull should move to online sales. As Urban Outfitters operates in more than 200 stores in North America and Europe.

Therefore, Trumbull needs to expand its e-commerce business to compete with this new business. This would be cheaper than improving the physical store as operating online is cheaper, by having an online website which means the clothes are more accessible to a larger consumer base. For example, people who work long hours cannot skip work to visit the retail stores. As people with mental illness or disabilities an online website would be a lot more appropriate for them. Urban Outfitters sales increased by 150% in 2020, this is because after the pandemic many businesses improved their online sales as no one could leave house, therefore urban outfitters grew massively with their market share within the e-commerce section.

However, recently on the news big multinational brands like urban outfitters are improving their stores by making them more appealing to customers, by having loud music and 'shiny glossy floor' so they get a sense of feeling were they

feel like they can wizz round the ^{eg zara} shops. However, Urban has gone for a more varied layout, unlike zara, they are based on stylish loft apartments and wooden floors this gives urban a sense of individuality compared to other multinationals. Therefore, if Trumbull were to improve it's physical store to look appealing to customers this would increase sales revenue.

To conclude, I think Trumbull should focus on improving online sales and website as there will be more growth for the business as it is a small business and not many people know about them, therefore, increasing it's sales. Trumbull will be able to keep the traditional feel of the shop and customers who are loyal will recognise it as loyal customers do not necessarily like change. As a result, improving online sales is a cheaper way to compete with Urban Outfitters.

(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS



This response starts curiously with a definition of multinational businesses – not something explicitly linked to the question. However, it goes on to evaluate both options thoroughly, linking the decision to influence of multinational competitor Urban Outfitters. This is where the initial definition becomes clear. The recommendation is not as developed as the best responses seen.

This response achieved 17 marks and is a good example of how all answers are considered holistically. There is no defined structure for achieving success. A strong answer will exhibit the features of the level descriptors in the mark scheme.



It is not essential to start an answer with a definition. However, if there is a key term, such as 'online sales' as in this question, a definition can help to clarify your knowledge and understanding before you develop the rest of your answer.

To compete with new businesses, such as Urban Outfitters, Jonathan Trumbull Ltd is considering either improving its physical stores in Norwich or expanding its online sales.

(d) Using the data in Extracts D to G, evaluate these two options and recommend which one will help Jonathan Trumbull Ltd compete effectively.

(20)

Although online sales increased by 150% in 2022, consumers say that they prefer to look at items in-store before buying them online, and roughly ~~roughly~~ 22% of online returns are because it looked different in person to how it did online. Improving physical stores would cost Jonathan Trumbull Ltd between £25,000 and £30,000 which is a large pot of money for an independent retailer who cannot rely on brand recognition for sales.

Expanding its online sales would be a good move for Jonathan Trumbull Ltd, as online sales have increased by 150% in 2022, and ~~so~~ the majority of advertisement these days is online, using technology. It would be easier to promote, and operating e-commerce would also mean that a wider market is reached. Although the cost of expanding e-commerce could cost 30% more ~~than the original set-up cost~~ than the original set-up cost, it only works out to be

roughly ~~£~~ £2600, which is significantly less money than expansion of brick and mortar stores.

The best way to weigh up the options would be to use a decision tree, with the probabilities of success and failure calculated to see which would be the most cost effective.

Jonathan Trunbull Ltd should expand online sales in order to compete more effectively, as e-commerce is becoming an increasing market, and the cost of expansion is less than ~~the~~ the brick and mortar option. It would allow advertising to happen more naturally, and the independent retailer would be able to reach a wider market. They could potentially extend the life-cycle of the 'classic' fashion they sell, as more individual consumers would be generating revenue for ~~the~~ Jonathan Trunbull Ltd.



Here the candidate uses aspects of the extract accurately, particularly the financial information, to explain the implications of both options. Interestingly, there is a strong recommendation paragraph, in which the candidate supports their overall judgement with reference to the context, but also broader specification concepts such as the product life cycle, which are made directly relevant.

However, the evaluations of each option are not fully developed, particularly the potential limitations or drawbacks of each one.

This response was given 12 marks. The arguments made are not sufficiently developed to score more highly.



When making an overall recommendation, aim to support these in detail, rather than in short, repetitive judgements. However, to ensure the highest marks possible, this recommendation should follow a balanced discussion of each option that the business faces.

Paper Summary

Based on the responses seen by the Principal Examiner, and the assessment team more widely, the following points are offered as advice for this paper:

- Learn and understand the key terms in the specification – 'what students should know' underpins the AO1 Knowledge assessment objective. Weak understanding here means that questions may not be accessed and/or answers are written in a less precise manner.
- Learn and understand the quantitative skills in the specification. In this paper (paper 3) these skills will be required as part of a more extended response; for example, where calculations are required and then interpretation of these calculations support analysis and evaluation of a given business context.
- Questions of 8 marks or more invite evaluation. The levels descriptors refer to counterbalance, so one sided answers will not access the highest mark levels.
- Use the extracts to support the application of your answer and the development of analytical chains of reasoning.
- If you have completed research for this paper, based on the pre-release information, and this research has given some examples that are relevant to your answer, include these. They will be rewarded accordingly.
- Aim to write clearly and legibly.
- Please write answers in the appropriate space for that question – not the space for an alternative question. If there is not enough room for your answer, ask for extra paper.

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>

