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Candidate surname	Other names	
Pearson Edexcel Level 3 GCE	Centre Number	Candidate Number
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Monday 01 June 2020		
Afternoon (Time: 2 hours)	Paper Reference 9BS0/02	
Business Advanced Paper 2: Business activities, decisions and strategy		
You do not need any other materials.		Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- You may use a calculator.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Answer ALL questions.

SECTION A

Read the following extracts (A to C) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Tended Ltd

Tended Ltd is a fast-growing technology start-up company based in Lincoln, UK founded by young entrepreneur Leo Scott Smith, who is the main shareholder. The company has created a personal safety device called the 'Tended Protect'. Tended Ltd aims to increase its market share of the global wearable technology market.

5

Tended Protect is a wrist-worn wearable safety device that monitors the movements of the user through artificial intelligence and has the ability to learn and detect 'abnormalities', such as a fall or strong impact. If the user does not or cannot respond to the device's safety check, then an alert will be sent to the user's nominated emergency contact. It gives the GPS location, health and activity information and will open the channel for live audio with the wearer.

10

Tended Ltd has gained £50 000 from Enterprise Loans*, to help further develop the Tended Protect, create new jobs and marketing for the new product, as well as fulfil its initial orders.

*A subsidiary of the UK government's British Business Bank.

15

(Source: adapted from <http://www.smeweb.com/2018/07/09/qa-leo-scott-founder-ceo-tended-protect/> and <https://cityx.co.uk/2018/07/tended-wearable-safety-device-developed-lincolnshire/>)

Extract B

The expansion of Tended Ltd

Tended Ltd has developed at a fast rate, from one member of staff to a team of 10 in eight months. It encountered difficulties such as raising finance and it ran out of cash on a few occasions. Tended Ltd also faced development issues, which took months to fix. However, it overcame all of these issues. The staff pulled together as a team, worked into the early hours of the morning and constantly innovated and took risks, enabling the business to stay agile and continue to grow rapidly.

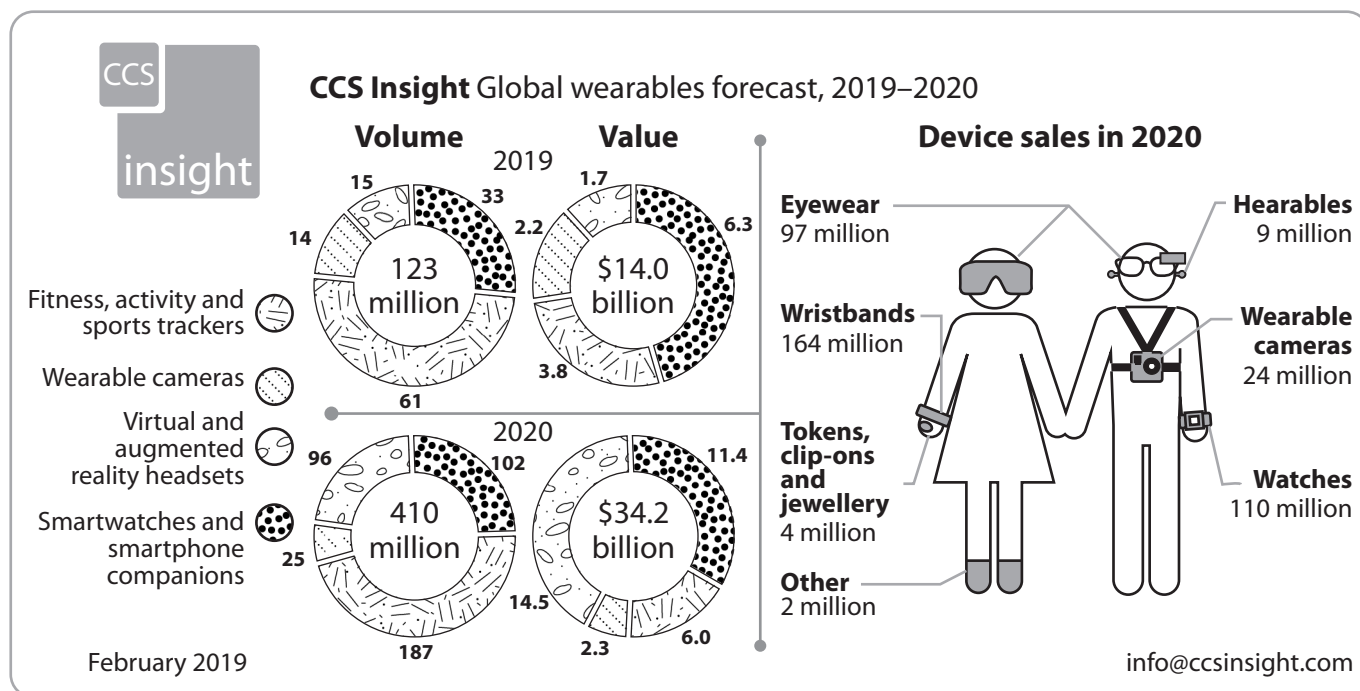
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(Source: adapted from <https://www.startupvalley.news/uk/tended-personal-safety-wearables/>)



Extract C

The global technology wearables market



CCS Insight, a market research business, has updated its forecast on the future of wearable technology, indicating that 411 million smart wearable devices, worth a staggering \$34 billion, will be sold in 2020.

CCS Insight claims the industry will achieve sales of \$14 billion in 2019, with wrist-based devices, such as smartwatches and fitness trackers, continuing to dominate. Its forecast states half of all wearable technology sales over the next 12 months will be from these devices, with smartwatches making up 50%.

Ben Wood, Chief of Research at CCS Insight, commented: "Given the falling consumer interest for smartphones, it is little wonder so many companies are chasing the rapidly growing opportunity presented by this dynamic market."

(Source: adapted from <https://www.forbes.com/sites/paullamkin/2016/02/17/wearable-tech-market-to-be-worth-34-billion-by-2020/#192e2d113cb5>)



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- 1 (a) Explain **one** financial reason why Leo Scott Smith decided to establish Tended Ltd as a private limited company.

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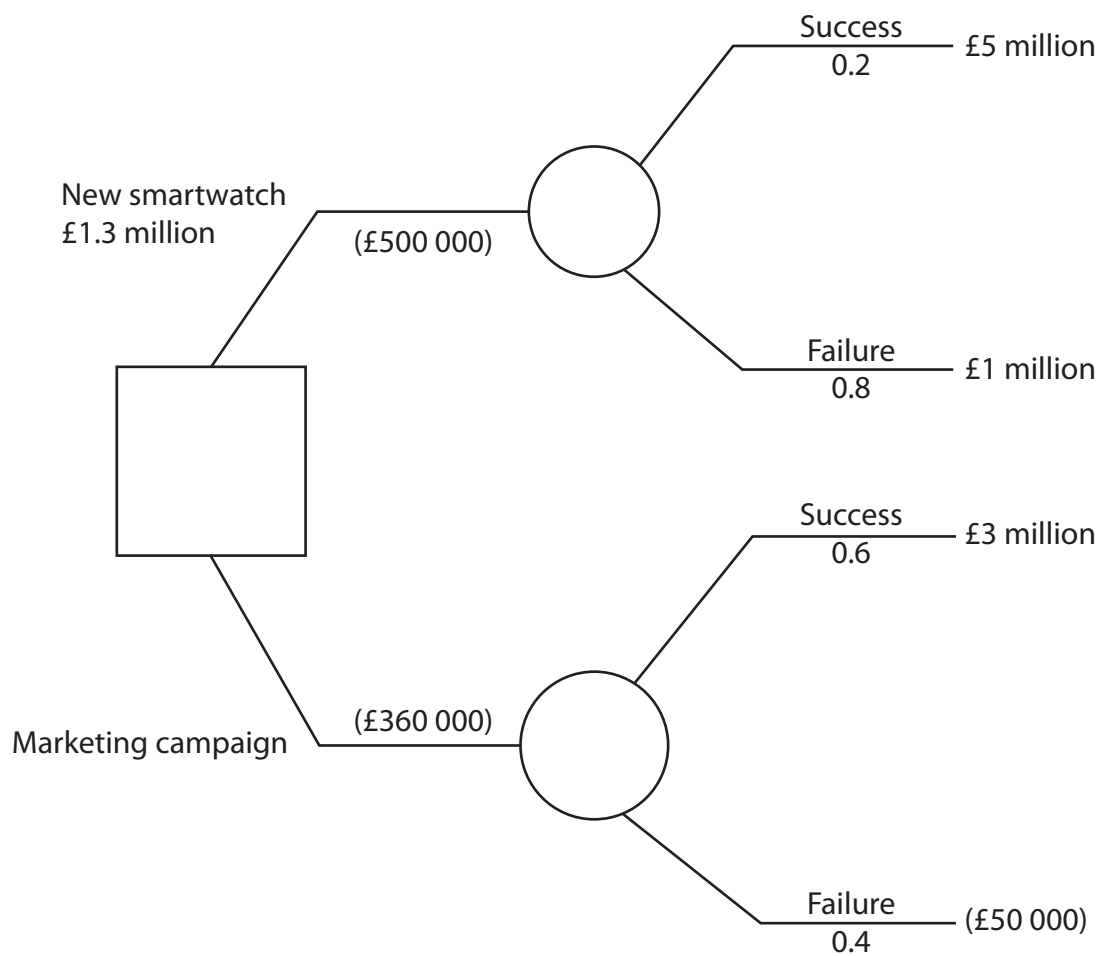
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Tended Ltd has constructed the decision tree below to help it decide whether to develop a new smartwatch or launch a new marketing campaign.



The net gain for the new smartwatch is £1.3 million.

- (b) Using the data in the decision tree, calculate the net gain for the marketing campaign. State your answer to two decimal places. You are advised to show your working.

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(c) Assess the likely value of a business plan to Tended Ltd.

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(d) Assess the extent to which the problems of rapid growth may have been managed by Tended Ltd.

(12)



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To achieve its aim of increasing its market share of the global wearable technology market, Tended Ltd could produce a new smartwatch or launch a marketing campaign for 'Tended Protect'.

- (e) Evaluate these two options and recommend which **one** is most suitable for Tended Ltd to achieve its aim of increasing its market share.

(20)



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(Total for Question 1 = 50 marks)**TOTAL FOR SECTION A = 50 MARKS**

SECTION B

Read the following extracts (D to G) before answering Question 2.

Write your answers in the spaces provided.

Extract D

Sports Direct rescues House of Fraser for £90 million

Sports Direct, the British sportswear retailer controlled by Mike Ashley, has bought House of Fraser for £90 million.

Billionaire Ashley said his ambition was to transform House of Fraser "into the Harrods of the High Street", a reference to the luxury department store in London. "This is a massive step forward and further enhances our strategy," he added. Ashley's stated desire is to make Sports Direct the "Selfridges of Sport", matching the status of the department store on London's Oxford Street.

5

Buying significant shareholdings in other businesses forms part of Ashley's strategy. Investments have been made in retailers such as Debenhams and French Connection, however this strategy has not always been successful. Last month Sports Direct reported a loss of £85 million resulting from its investment in Debenhams.

10

(Source: adapted from <https://uk.reuters.com/article/uk-house-of-fraser-administration/sports-direct-rescues-house-of-fraser-for-90-million-pounds-idUKKBN1KV0IL>)

Extract E

Extract from Sports Direct plc* Annual Report 2018

	£million
Revenue	3 359.5
Cost of sales	2 024.4
Selling, distribution and administrative expenses	1 156.1

*Sports Direct plc includes House of Fraser

(Source: adapted from http://www.sportsdirectplc.com/~/_/media/Files/S/Sports-Direct/annual-report/annual-report-2018.pdf)



Extract F**UK retail trends**

Online purchases now account for almost 20% of retail sales, growing at 10 times the rate of physical store sales in the first half of 2018. During this period, 4,400 stores closed across the UK high street, up from 103 in 2017.

Years of rising costs, technological disruption and changing consumer behaviour have forced the UK high street to undergo considerable structural change. 5

There will be fewer shops in the future but this does not mean the store is dead, it just means that the role of the store is changing. There are numerous examples of innovation happening within stores, such as cashless supermarkets and retailers investing in better customer service. 10

(Source: adapted from <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/retail-trends.html>)

Extract G**Sports Direct's corporate culture**

Over the past two years investigations by the Guardian newspaper and the BBC found that working conditions at Sports Direct's Shirebrook warehouse in Derbyshire were similar to a 'modern-day Victorian workhouse'. Allegations of workers being paid below the minimum wage, fearing their bosses, experiencing security checks, and workers feeling forced to attend work despite being ill were all uncovered. 5

The Unite union reported that: "People are scared because they are working under a system where they know they could lose their employment at any moment." Employees were deducted 15 minutes' pay if they were one minute late for their shift, and lost their jobs altogether if they fell foul of the firm's 'six strikes' system – with one strike including anything from spending too long in the toilet to taking a day off sick. 10

Sports Direct admitted it had made some mistakes and was reviewing its Human Resource strategies.

(Source: adapted from <https://www.managers.org.uk/insights/news/2016/june/5-things-we-learned-about-management-at-sports-direct>)

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2 (a) Explain **one** benefit Sports Direct could gain from conducting a SWOT analysis.

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- (b) Using the information in Extract E, calculate the operating profit margin for Sports Direct in 2018. State your answer to two decimal places. You are advised to show your working.

(4)



(c) Assess the usefulness of a sales forecast for Sports Direct.

(10)

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(d) Assess the likely consequences for Sports Direct of its corporate culture.

(12)

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Sports Direct aims to reduce the labour turnover of its workforce. To achieve this, it could introduce an employee share ownership scheme or implement an empowerment strategy.

- (e) Evaluate these two options and recommend which **one** is most suitable for Sports Direct to achieve its aim of reducing labour turnover.

(20)

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(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

TOTAL FOR PAPER = 100 MARKS



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