

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

Pearson Edexcel Level 3 GCE

Wednesday 7 June 2023

Morning (Time: 2 hours)

Paper
reference

9BS0/02

Business

Advanced

PAPER 2: Business activities, decisions and strategy

You must have:

Source Booklet (enclosed)

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.
- There are two sections in this question paper.
- 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 Extracts A to D in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

1 (a) Explain **one** reason why Brompton might use job production.

(4)

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(b) Using the data in Extract B, calculate the change in labour productivity between 2019 and 2020. State your answer to two decimal places. You are advised to show your working.

(4)

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(c) Assess whether the distinctive capability of innovation is the main reason that Brompton has a competitive advantage.

(10)

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(d) Using the data in Extract C, assess the effect on Brompton's sales of the change in the US dollar to the £, between April 2020 and April 2021.

(12)

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Brompton has set itself the objective of expansion. It is considering two options to expand, either by organic or inorganic growth.

- (e) Evaluate these **two** options and recommend which one is the best for Brompton to achieve its objective of expansion.

(20)

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS



SECTION B

Read Extracts E to H in the Source Booklet before answering Question 2.

Write your answers in the spaces provided.

- 2 (a) Explain **one** likely problem experienced by Peloton due to its rapid growth.

(4)

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(b) Using the data in Extract F, calculate the difference in Peloton's gross profit margin between 2020 and 2021. State your answer to two decimal places. You are advised to show your working.

(4)

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(c) Assess **one** likely effect of consumer protection legislation on Peloton.

(10)

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(d) Assess whether cutting costs is the best way to improve Peloton's profit.

(12)

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When reviewing Peloton's corporate strategy, its Chief Executive has identified technology as the most important PESTLE factor to prioritise. Other directors consider prioritising social factors as more important.

- (e) Evaluate these **two** PESTLE factors and recommend which one Peloton should prioritise when developing its future corporate strategy.

(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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Do not return this Booklet with the question paper.

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SECTION A

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

Extract A

Brompton Bicycle Ltd

Inventor and founder, Andrew Ritchie, first created prototypes of Brompton bikes in 1975. Brompton now has over 1,450 official dealers around the world in cities such as London, New York, Tokyo and Shanghai. Brompton has a global reputation for design excellence and innovation, with exports accounting for 68% of total bicycle sales.

5

Each Brompton store employs qualified sales staff who offer expert advice to customers, plus a wide range of spares and accessories. There is also a workshop area, providing routine servicing or upgrades for existing customers.

Brompton bikes are foldable and can be taken on all forms of transport, such as a train or in the boot of a car. Its team of designers are constantly improving the bike, accessories, and the production processes. Each bike is hand made by a skilled worker at Brompton's London factory. This makes every bike incredibly tough and unique. Each worker is trained by Brompton for 18 months and has their own 'signature' which they stamp on each bike that they work on.

10

(Source: adapted from <https://www.brompton.com>)

Extract B

Brompton Bicycle Ltd employment and production data, 2019 and 2020

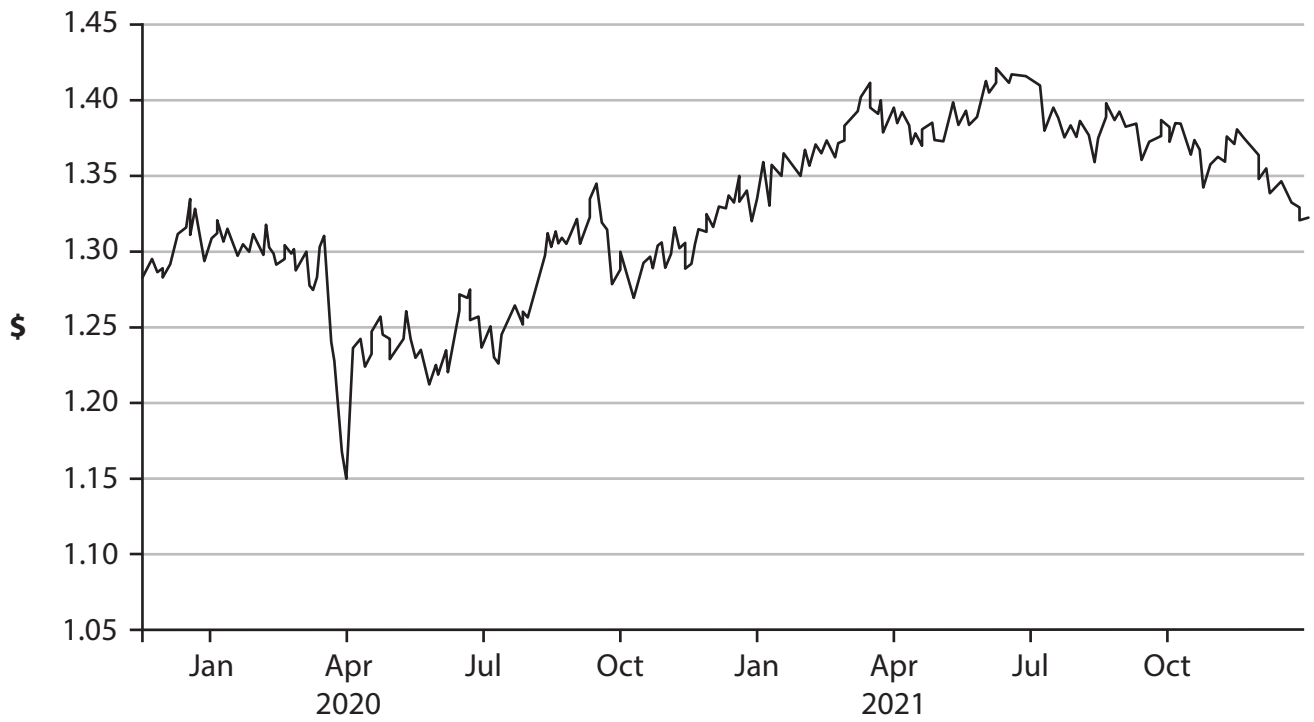
	2019	2020
Number of production workers	150	184
Quantity of bikes produced	48,956	59,052

(Source: adapted from [companies_house_document%20brompton](#))



Extract C

US dollar to the £ exchange rate, January 2020 – December 2021



(Source: adapted from <https://www.bankofengland.co.uk/statistics/exchange-rates>)



Extract D

Brompton's growth strategy

Brompton's growth strategy is based on takeovers. Brompton's sales have made record growth, averaging 20% for each of the past four years. However, this growth has led to problems in obtaining enough supplies of certain components.

Chief Executive Will Butler-Adams stated: "We could seek to acquire businesses that produce complementary accessories, such as clothing and bicycle helmets. We're heading for 30% a year growth and have employed another 100 people in 2021. When you employ new workers with specialist skills, as we did with the paint shop, then you can improve the quality of the product."

5

(Source: adapted from <https://cyclingindustry.news/brompton-eyes-acquisitions-as-part-of-growth-strategy-says-ceo/>)



SECTION B

Read the following extracts (E to H) before answering Question 2.

Extract E

Peloton

Peloton is the largest online fitness provider in the world. In 2021 it had over 5.9 million members. Peloton generates income from its members through the sale of expensive specialist equipment, such as stationary exercise bikes and treadmills, as well as a monthly subscription fee. It provides a wide range of instructor led fitness classes, which are digitally streamed to the members' homes. 5

Between 2020 and 2021, Peloton's sales rose by 172% and it gained more than a million new members. However, the increase in demand led to delays in the production and delivery of equipment.

By the end of 2021, sales of exercise bikes and treadmills, which provided 60% of its revenue, had fallen by 17%. This was because Peloton faced increased competition from lower priced rivals, as well as consumers preferring to return to gyms. In response, Peloton reduced the price of its bikes by 20% and launched a new membership app featuring classes that didn't require the use of Peloton equipment. 10

(Source: adapted from <https://investor.onepeloton.com/static-files/00bb178b-7b7b-4fdc-97e4-98caa202c88b>, <https://edition.cnn.com/2020/09/11/business/peloton-stock-earnings/index.html>, <https://edition.cnn.com/2021/08/26/business/peloton-bike-price-cut/index.html> and <https://edition.cnn.com/2021/11/05/investing/peloton-stock-first-quarter-2022-earnings/index.html>)

Extract F

Extract from Peloton's Statement of Comprehensive Income, 2021

	\$m
Revenue	4021.80
Cost of sales	2569.80
Expenses	1639.80
Gross profit margin for 2020	32.35%

(Source: adapted from <https://investor.onepeloton.com/static-files/00bb178b-7b7b-4fdc-97e4-98caa202c88b>)

Extract G

Peloton's plan to conceal rust in its exercise bikes

Just months after a costly recall of Peloton's expensive treadmills, its executives were confronted with a new crisis. Warehouse staff, who received expensive bikes priced between \$1,495 and \$2,495, manufactured in Taiwan, noticed that paint was flaking off. Instead of returning the bikes to the manufacturer, executives decided to conceal the corrosion and still sold the bikes to customers. 5

The US Consumer Product Safety Commission, which oversaw the recall of Peloton's treadmills, would not say whether it had been alerted to the bike corrosion issue. The Commission said companies must notify them of suspected defects 'which could create a substantial product hazard or an unreasonable risk of serious injury or death'. 10

Peloton experienced low inventories due to a supply chain crisis, which made it hard for the company to keep up with demand. Some workers felt pressurised by management to approve rusty bikes for delivery to customers.

As a result of its falling share price in 2022, Peloton announced 2,800 job losses, with co-founder John Foley resigning as Chief Executive. Peloton planned to cut a further \$800m from its annual costs. 15

(Source: adapted from <https://www.ft.com/content/29e18453-dfea-4236-a18c-2c3a018a843a>)

Extract H

The world online fitness market

Online fitness classes have proved popular because consumers can participate in classes at convenient times, without the need to visit the gym. The world online fitness market was valued at \$6,046m in 2019 and is predicted to be worth \$59,231m by 2027. This represents an average annual growth of 33.1%. 5

Streaming of classes dominates this market because consumers can access a wide variety of activities in terms of instructors, levels of difficulty and music genres. Most consumers access online workouts by subscribing to a fitness app. Through virtual fitness sensors in smartphones and smartwatches, consumers can also keep track of their progress and measure their achievement in reaching health goals. 10

(Source: adapted from <https://www.alliedmarketresearch.com/virtual-online-fitness-market>)



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