

Global business

Level: Pearson Edexcel Level 3 Advanced GCE

Subject: Business (9BS0)

Exam Board: Edexcel A level Business students for all boards

Topic: Global business

Type: Questionnaire

To be used by all students preparing for Pearson Edexcel Level 3
Advanced GCE Business (9BS0)

Questions

Q1.

China lifts the ban on video games consoles

In 2014, the Chinese government removed its ban on the manufacture and sale of video games consoles. The decision gave Microsoft, Nintendo and Sony access to the potentially lucrative Chinese market. Analysts believe that sales of video games consoles in China could reach \$13bn and that the Chinese Government's decision to liberalise the video games console market in the country had created 'significant opportunities for the major console manufacturers.

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Kazuo Hirai, the Managing Director of Sony, stated that China's large population of young people, together with rising incomes will result in China becoming an important growth market. However, he believed positioning the brand will be an important factor in allowing Sony to generate sales at the expense of its competitors.

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(Source: The Guardian)

Assess the possible benefits to manufacturers of video games consoles of the liberalisation of the Chinese market.

(10)

Q2.

Demand for healthy crisps grows

They may not be the healthiest snack, but potato crisps remain the UK's second most popular snack food. However, with healthier alternatives such as crisps made out of dried fruit becoming ever more popular, is the classic deep fried potato crisp under threat?

Market research organisation, Mintel, has stated that during the period of negative economic growth from 2008-2012, demand for UK potato crisps increased by 29%. However, a Mintel spokesperson highlighted that, 'at the end of the day crisps are an indulgent treat but consumers are not oblivious to their health credentials.

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This has led to new firms entering the UK crisp market such as those owned by Charlie Fermor of Perry Court Farms. It produces a new air-dried crisp entirely out of apples. Charlie stated that 'our fruit crisps are completely natural. It's just apple. There's no oil, sugar or salt or any of that other horrible stuff: Perry Court Farms have recently signed contracts to export their air-dried apple crisps to China and Charlie expects revenue to increase by over 1 000% during 2013.

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(Source: adapted from <http://www.dailymail.co.uk/news/article-2228633/Farmers-son-Charlie-Fermor-developed-fruit-crisps-begins-exporting-worldwide.html>)

Assess the consequences for UK crisp manufacturers of changing consumer preferences towards healthier snack foods.

(10)

Q3.

Extract A

Commonwealth Games, Birmingham, 2022

Durban, South Africa, was due to stage the Commonwealth Games 2022 but withdrew due to financial and practical concerns. Bids were also submitted by Edmonton, Canada and Liverpool, but the Commonwealth Games Foundation (CGF), chose Birmingham, the UK's second biggest city.

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Over 1,000 people will be recruited to deliver Birmingham 2022. Job vacancies will include roles related to administration, planning, marketing and security. Recruitment and training of staff will be led by Gi Group, a world leader in human resource management.

Gi Group will deliver comprehensive recruitment services and fill over 1,000 roles across multiple specialisms, including selection, training and on-the-job support. Gi Group will also assist all Birmingham 2022 staff with developing their careers from August 2022, once the Games are over.

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(Source: adapted from <https://birmingham2022.gigroup.com/about>)

Extract B

Huge progress at the Birmingham 2022 Alexander Athletics Stadium

Since planning permission was granted in January 2020, the demolition of three existing stands at the Perry Park site has been completed and work has started on rebuilding the stands with steelwork from British companies.

The £184m scheme remains on budget and scheduled for completion in spring 2022, ahead of its initial use as the venue for the Commonwealth Games athletics competition.

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After the Games, the stadium is set to become a focal point of health, wellbeing, sport, academic and community activity as part of a £500m City of Birmingham Regeneration Scheme.

The stadium, which will hold around 30,000 spectators at each session during the Games, will switch to a permanent capacity of around 18,000 post-Games - the largest permanent facility capable of hosting international athletics in the UK. Furthermore, it will continue to be the home of the world-famous Birchfield Harriers Athletics Club.

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(Source: adapted from <https://www.birmingham2022.com/news/blog/hugely-encouraging-progress-at-birmingham-2022-alexander-stadium/>)

Extract C

Capital funding and business partnerships for 2022 Commonwealth Games

Project	Cost (£m)	Main source(s)
Alexander Athletics Stadium redevelopment	184	Central Government and Sport England (£112m), Birmingham City Council (£27m), Local Enterprise Partnership (£20m), West Midlands Authority (£25m)
Sandwell Aquatics Centre, Smethwick (New build)	73	Central Government, Sandwell Council, Local Enterprise Partnership, Sport England, and Sandwell Leisure Trust
Smithfield Arena (New build)	64	Central Government, Birmingham City Council, West Midlands Authority
Coventry Stadium adaptations	32	Central Government, Coventry City Council
National Exhibition Centre adaptations	25	Central Government, West Midlands Authority
Other sites and infrastructure	400	Sport England, Business Partners/ Sponsorships
Total	778	

(Source: adapted from <https://www.birmingham2022.com/business/partnerships>, www.sandwell.gov.uk and <https://www.birmingham2022.com/news/blog/hugely-encouraging-progress-at-birmingham-2022-alexander-stadium/>)

Extract D

Commonwealth Games vision and mission (Extracts from)

Ian Reid, Birmingham 2022 Chief Executive Officer stated: "In order to deliver this iconic celebration of sport we need to forge dynamic, new business partnerships. The Games will boost jobs and investment and promote Birmingham's national and international reputation."

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The Birmingham 2022 Commonwealth Games will

- Embrace and drive the youth, diversity, humanity and pride of the region and the 76 countries of the Commonwealth.
- Inspire, engage and connect communities and athletes to realise their full potential and live happier, healthier lives.
- Drive sustainable economic growth and aspiration; creating opportunities through trade, investment, jobs and skills.
- Transform and strengthen local communities, working together to deliver new and improved homes, facilities and transport links.

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(Source: adapted from <https://www.birmingham2022.com/about-us/our-purpose/>)

Assess the factors that may have led to Birmingham, UK being chosen as the location for the 2022 Commonwealth Games.

(12)

(Total for question = 12 marks)

Q4.

Extract B
Shanghai Disney

The Shanghai Disney resort opened in June 2016, the first Disney resort on the Chinese mainland and the sixth worldwide. By May 2017, Shanghai Disney welcomed its 10 millionth visitor. It has enjoyed success in China because of the popularity of American culture amongst the younger generation in China.

Ding Song, of the China Development Institute, commented: "The Shanghai government played a very important role in the establishment of Shanghai Disney by funding research and development, as well as supplying the land."

Shanghai Disney is being operated in cooperation with Chinese company Fosun International.

Competition from Chinese rivals was expected to intensify over time, so in 2018 Shanghai Disney extended the resort to include Toy Story Land.

Other western theme park companies are seizing the opportunity to operate in China, due to its expanding middle class. Construction began in November 2017 on a \$7.4bn Universal Studios' park in Beijing, which is expected to open in 2020.

(Source adapted from: Shanghai Disney welcomes 11m visitors in first year -By Tom Hancock © The Financial Times, June 19 2017 and [http:// www.ecns.cn/business/2017/11-13/280636.shtml](http://www.ecns.cn/business/2017/11-13/280636.shtml))

Assess the factors that might affect the success of a global business such as Disney when entering a new market such as China.

(10)

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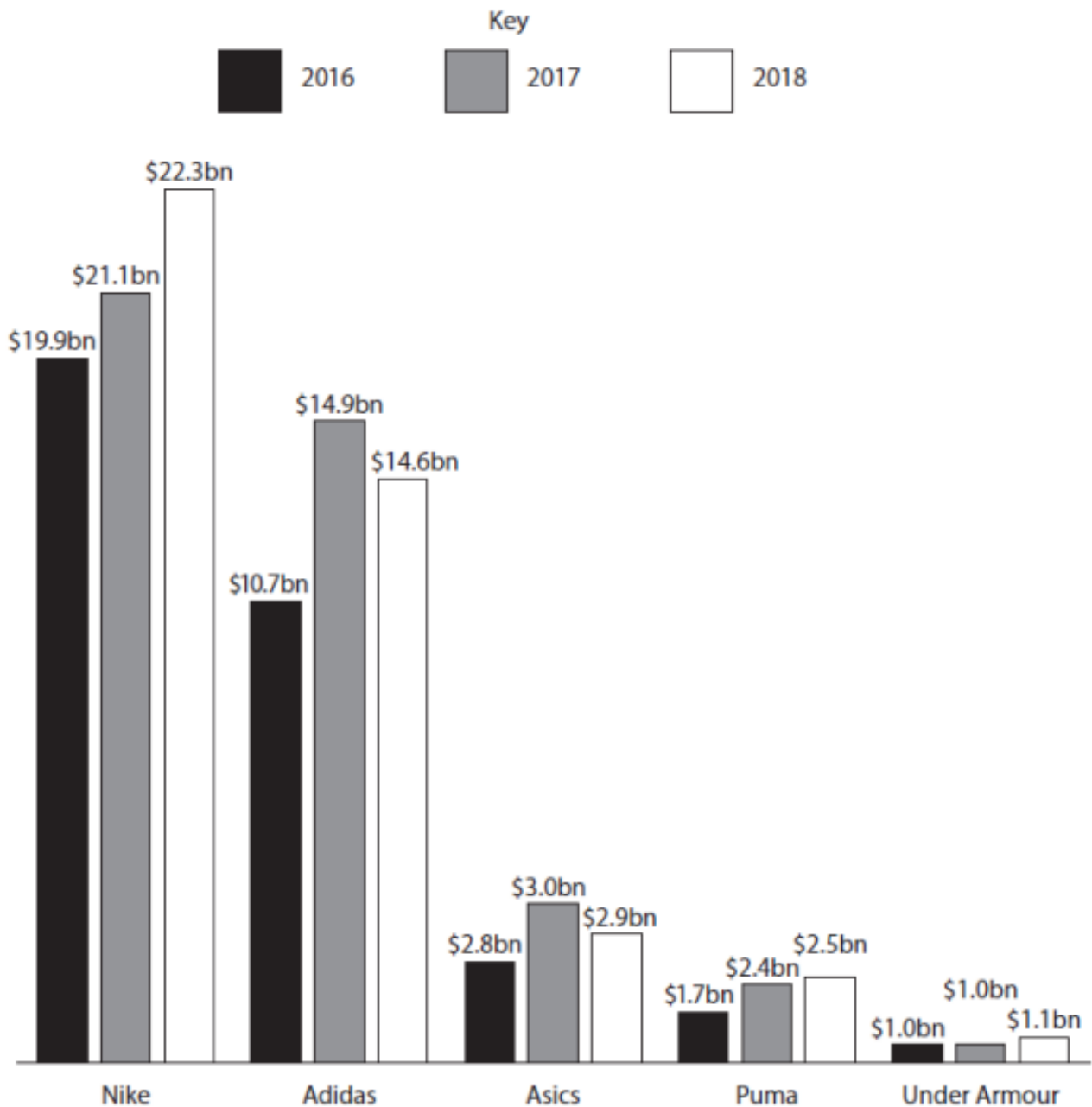
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Q5.

Extract D

Worldwide sports footwear sales (\$bn) of selected leading brands



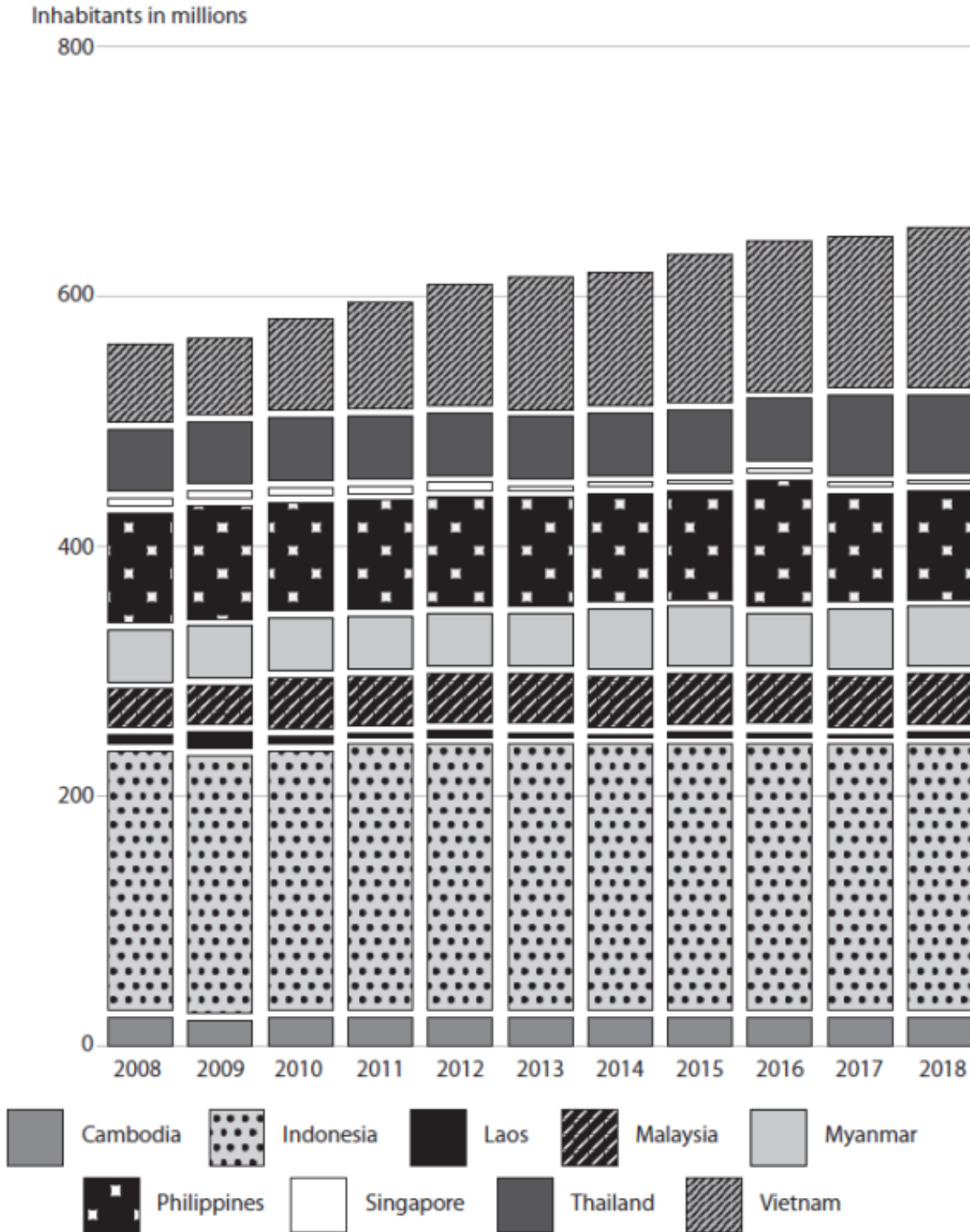
Sales value of all other sports footwear brands not included in the chart = \$16.7bn in 2018

(Source: adapted from https://infographic.statista.com/normal/chartoftheday_13470_athletic_footwear_sales_n.jpg)



Extract E

Populations of The Association of Southeast Asian Nations (ASEAN) member states



(Source: adapted from <https://www.statista.com/statistics/796222/total-population-of-the-asean-countries/>)

Extract F

ASEAN opportunity

The Association of Southeast Asian Nations (ASEAN) was founded in 1967 by five countries: Thailand, Indonesia, Philippines, Malaysia, and Singapore. Its aim is to promote free trade between members, by reducing trade barriers between them. In 2010 ASEAN joined China in the ASEAN-China free trade area, reducing tariffs on 70% of goods.

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With over 260 million people, Indonesia possesses both a large workforce and a young population. It has a stable and growing economy. Furthermore, increasing urbanisation eases the cost of doing business for foreign companies. These businesses, such as Nike, manufacture their goods in Indonesia and sell their products to the country's growing middle class.

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The Indonesian Government has also realised the importance of developing the country's manufacturing sector to increase economic growth and create employment opportunities. The government has released several policy packages since September 2015 aimed at easing the cost of doing business in Indonesia. This should increase foreign direct investment (FDI).

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Nike, Toyota, Nestle, LG, and Samsung are some of the major multinational corporations that have set up factories in Indonesia. These corporations benefit from low labour costs and relatively skilled workers.

Growing urbanisation makes businesses closer to their customers. However, there are also land shortages, which can make it difficult and expensive for firms to build new manufacturing facilities in Indonesia.

20

(Source: adapted from <http://www.indonesiabriefing.com/news/selecting-optimal-locations-for-manufacturing-in-indonesia> and <https://www.statista.com/statistics/796222/total-population-of-the-asean-countries/>)

Extract G

Nike announces new partnership with Flex

Nike's manufacturing involves mass production in a range of low-wage economies, such as Indonesia, Thailand, and Vietnam. These production locations also tend to be close to materials needed, such as textiles and rubber.

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In 2016 Nike announced a new partnership in North America with Flex, a design and manufacturing company. This enabled Nike to move towards differentiating its products. Before this new agreement Nike had its NikeiD website, which customers could use to design aspects of their own shoes. However, these orders took up to four weeks to reach the customer.

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Nike aims to reduce the time from design to delivery for customer orders from weeks to days. To do this it is working with Flex to develop efficient methods for making orders of one, rather than 1,000 shoes. Flex is experimenting with new laser cutting technology, that allows one-off production. The machine can go from cutting size 13 shoes to size 7 shoes without interrupting production. "We think that unlocks a lot of growth, by differentiating our products from competitors, and getting customised orders to our customers more quickly." said Nike's Head of Marketing.

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(Source: adapted from <https://scm.ncsu.edu/scm-articles/article/nike-partnership-with-flex-producing-innovation-coupled-with-digitization>)

Assess one effect on Nike of Indonesia being a member of the ASEAN trading bloc.

(10)

(Total for question = 10 marks)

Q6.

Extract E

Burts experiences rapid growth

Burts Chips Ltd (Burts) was founded in 1997 in Kingsbridge, South Devon. The company manufactures high-quality, hand-fried potato chips (crisps). Despite competing in the fiercely competitive potato crisp market, the company has experienced rapid organic growth since the first day it opened. As a result of producing high-quality, heavily branded crisps, supermarkets such as Tesco have been willing to stock a range of Burts' flavours. They compete for shelf space with brands such as Walkers and McCoys, which dominate the market.

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Extract F

Burts expands into foreign markets

In 2014, Burts decided to increase its productive capacity by 100% by investing £2.1m in new frying machines and a more efficient packaging line. This investment had to be funded by issuing new shares to existing investors.

The expansion of Burts' factory was necessary to cope with rapid growth in demand. Although most of this extra demand came from the UK, Burts now sells its crisps in 42 different countries and has become the leading brand in the Dutch premium crisp market. Burts' focus on organic growth has been driven by strong branding and a commitment to quality and innovation - all demonstrated by its willingness to risk the production of unusual flavours such as vanilla sea salt.

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EXAM PAPERS PRACTICE

Extract G

Selected information from Burts Chips Ltd's Statement of Comprehensive Income 2012–13

	2013 (£)	2012 (£)
Turnover	14 667 947	12 867 523
Cost of sales	(10 271 989)	(9 335 193)
Gross profit	4 395 958	3 532 330
Other operating expenses	(3 865 266)	(3 470 420)
Operating profit	530 692	61 910
Exceptional items	268 617	104 017
Interest payable	(101 283)	(331 578)
Profit for the year (net profit)	698 026	(165 577)

Extract H

Selected information from Burts Chips Ltd's Statement of Financial Position 2012–13

	2013 (£)	2012 (£)
Non-current assets	1 342 665	1 342 665
Current assets	3 572 020	3 578 542
Current liabilities	(35 547)	(304 164)
Non-current liabilities	(2 205 824)	(2 205 824)
Share capital	3 275 000	3 275 000
Retained profit	(601 686)	(863 781)

Assess two possible disadvantages to Burts of selling its crisps in overseas markets.

(8)



EXAM PAPERS PRACTICE

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Q7.

Extract E

China imposes a 10% tariff on imported furniture

China's demand for imported furniture continues to grow. A recent report stated that imports of furniture into China had increased by more than 25% during 2012. The report also stated that 'faced with a choice, Chinese consumers do not want to buy domestically produced furniture - they are too concerned about the quality!'

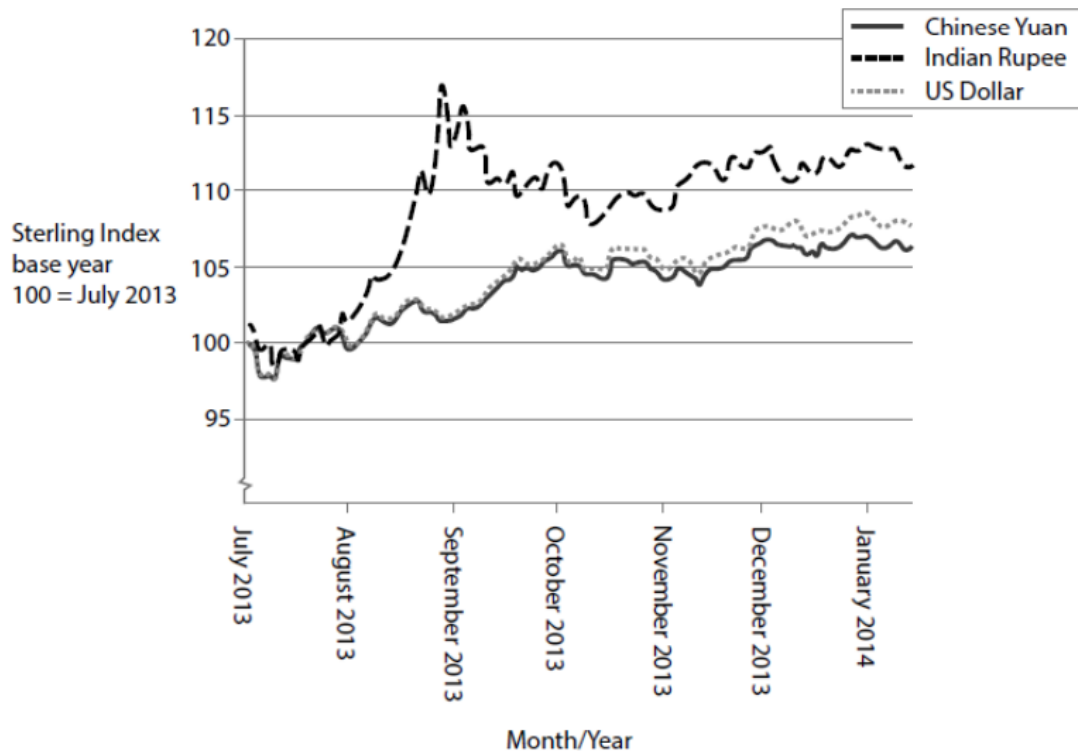
Faced with a decline in sales, Chinese manufacturers have successfully persuaded their government to impose a 10% tariff on all imported furniture made out of leather, wood or bamboo.

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(Source: adapted from <http://www.chinaimportexport.org/> china-to-levy-10-tariff-on-imported-furniture/)

Extract F

Currency Index of the pound (£) against selected currencies July 2013 to January 2014



(Source: ©Ratesfx.com)



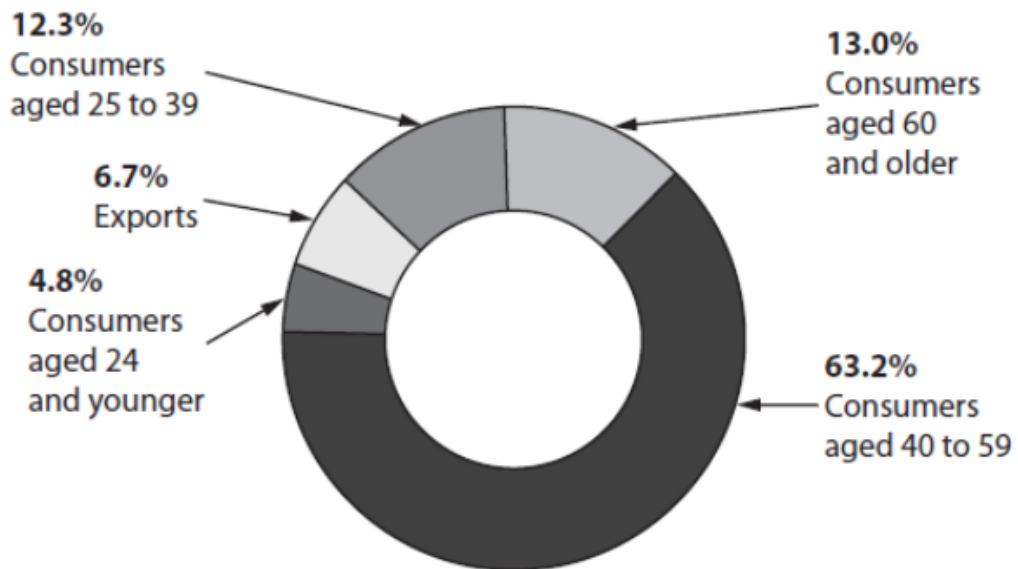
Assess the possible factors that may have led to the Chinese government imposing a tariff on imported furniture.

(10)

Q8.

Extract D

The US coffee market 2016



(Source adapted from: Industry Insider Copyright © 2018)

Extract E

Estimated change in USA population by age group

Age (years)	Change (%) between 2020 and 2040
Under 24	-2.4
25 to 39	-1.3
40 to 59	-1.2
60 and over	4.9

(Source adapted from: <https://www.census.gov/>)

Extract F

Canadian coffee roaster sold to Lavazza

For more than 120 years, Lavazza has been a major business in Europe's coffee market. It focuses on selling coffee through small specialised outlets. Lavazza has recently bought an 80% stake in Canada's Kicking Horse Coffee. Lavazza stated 'we are interested in NAFTA. Kicking Horse has a strong presence in the fast-growing organic and fairtrade segments of the Canadian coffee market. It fits well in Lavazza's brand portfolio.

Under NAFTA, member states must treat each other's goods, services, and investors as they treat their own. Foreign investors can purchase any company incorporated in Canada, knowing they have secure access to markets in the USA and Mexico.

(Source based on: ©2018 CBC/Radio-Canada)

Extract G

Staffing approaches at Starbucks

North Star is a Starbucks initiative created to focus its North American employees on what makes a good Starbucks' customer experience.

Some employees are unhappy about how North Star has affected them. Their concerns include: workers struggling with high workloads; less support and reduced management; understaffing because organisational structures in stores and regions have been made flatter. One employee said: "They cut our labour in half last year, and often there'd only be one coffee server on at a time. Staff are simply treated as a cost".

Kris Engskov, new Head of US Retail, said: "Staff are our biggest asset; how we staff our stores is the most important thing we do. Our managers have great autonomy".

In the USA, Starbucks' baristas are paid \$9.50 an hour on average, compared to McDonald's employees who are paid \$8.49 an hour. Other Starbucks staff benefits include university tuition assistance, flexible working hours and Starbucks shares at a discounted price.

(Source adapted from: © 2018 Insider Inc)

Assess the likely benefits to Lavazza of operating in the NAFTA trading bloc.

(10)



Q9.

Extract C

Exchange rate of \$US and euro to £ sterling (2013-17)

	2013	2014	2015	2016	2017
\$US to £1	1.56	1.64	1.52	1.35	1.28
Euro to £1	1.18	1.24	1.38	1.22	1.14

Average number of holidays taken per adult in the UK per year (2013-17)

	2013	2014	2015	2016	2017
UK Holidays	1.9	1.8	1.7	2.0	2.1
Holidays Abroad	1.2	1.2	1.5	1.4	1.7
Total Holidays	3.1	3.0	3.2	3.4	3.8

© UKForex Ltd 2018

Assess the extent to which movements in exchange rates might influence the holiday choices of UK consumers.

(12)

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Q10.

Extract A

Sony launches PlayStation 4 (PS4) at a price close to cost

The video games console market is very dynamic. There are three main console manufacturers: Nintendo, Sony and Microsoft. A console war started in November 2013 when Sony launched the PS4, followed one week later by the release of Microsoft's Xbox One.

Experts consider the PS4 to be the most powerful video games console ever produced. The global mark-up per console is surprisingly low at 4.2%.

5

Component costs	US dollars (\$)
Electrical components	348
Controller	18
Box contents	6

(Source: adapted from <http://allthingsd.com/20131119/teardown-shows-sonys-playstation-4-costs-381-to-build/>)

Extract B

China lifts the ban on video games consoles

In 2014, the Chinese government removed its ban on the manufacture and sale of video games consoles. The decision gave Microsoft, Nintendo and Sony access to the potentially lucrative Chinese market. Analysts believe that sales of video games consoles in China could reach \$13bn and that the Chinese Government's decision to liberalise the video games console market in the country had created 'significant opportunities for the major console manufacturers.

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Kazuo Hirai, the Managing Director of Sony, stated that China's large population of young people, together with rising incomes will result in China becoming an important growth market. However, he believed positioning the brand will be an important factor in allowing Sony to generate sales at the expense of its competitors.

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(Source: ©The Guardian)

Extract C

Talks start on ASEAN enlargement

Negotiations have started between the Association of South East Asian Nations (ASEAN) and its six major trading partners with the aim of creating the world's largest regional trading bloc by the end of 2015. The addition of six new members: China, India, Australia, Japan, New Zealand and South Korea will expand the 10-country trading bloc which will become known as ASEAN+6. An enlarged ASEAN will cover more than half the world's population and will have a combined GDP of \$17.23tn (trillion).

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It is hoped that the new members of ASEAN+6 will agree to the further liberalisation of markets and reduce tariffs and non-tariff barriers.

(Source: adapted from <http://www.thejakartapost.com/news/2013/01/31/talks-asean6-trade-bloc-kick-may.html>)

Assess the likely impact of the proposed expansion of ASEAN on a business such as Sony.

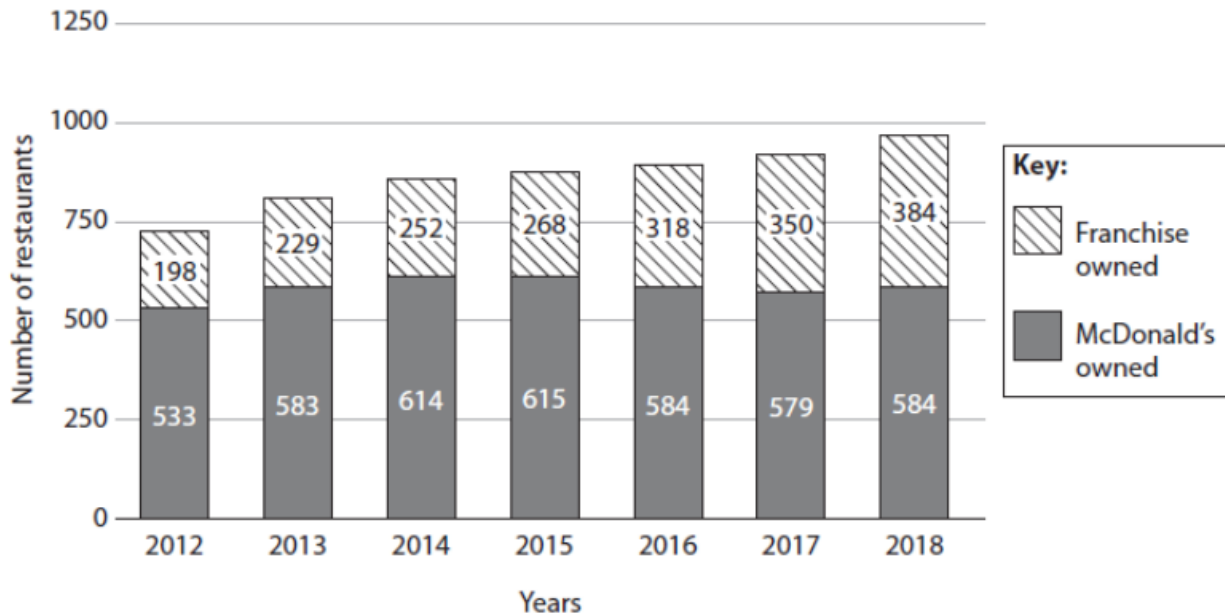
(12)



Q11.

Extract D

Total number of McDonald's restaurants in Brazil



(Source: adapted from <https://www.statista.com/statistics/812580/number-mcdonalds-restaurants-type-brazil/>)

Extract E

Taco Bell opens first Rio de Janeiro location

American fast-food business, Taco Bell, has joined an already crowded market.

"Brazil has great potential both in terms of its geography and its food consumption," said Taco Bell's Director of Operations in Brazil. She added, "Operating on a larger scale is important, because it allows us to reduce the cost of inputs and services." The company's current goal is to have up to 200 locations by 2027.

As well as Taco Bell's popular Tex-Mex dishes, including the 'Crunchwrap Supreme' and the 'XXL Grilled Stuff Burrito, Taco Bell has made sure to add local flavour to its traditional menu. For example, in São Paulo, it added the local drink maté.



Currently, all the branches in Brazil will be company-owned, but Taco Bell is considering franchising in the future.

(Source: adapted from <https://riotimesonline.com/brazil-news/rio-business/taco-bell-opens-first-rio-location-in-barra-da-tijuca/>)

Extract F

Brazilian Real to US dollar exchange rate 2018–19



(Source: adapted from <https://tradingeconomics.com/brazil/currency>)

Extract G

Multinationals in Brazil

Food and beverage multinationals provide a range of benefits to the Brazilian economy. They are responsible for 10% of Brazil's economic output and together employ 1.6 million people. Specifically, Nestlé employs 21,000 people in Brazil and has started an apprenticeship programme training 7,000 people under the age of 30.

However, in 2006, the Brazilian government, recognising the health problems caused by some multinational food businesses, introduced regulations to curb obesity and disease. These measures included advertising to warn consumers about foods high in sugar, salt and saturated fats. There were also marketing restrictions on sugary drinks aimed at children. The new rules also stopped brands such as Pepsi and KFC from sponsoring sports and cultural events.

Brazilian business, Citrosuco, exports 50% of the total orange juice exported to the USA, a total market worth \$1.4 billion. One of the American companies Citrosuco sells to is Tropicana, owned by PepsiCo.

However, a report in 2015, from the pressure group Supply Cha!nge, criticised working conditions in the Brazilian orange juice industry. The report alleged that high pesticide use led to unsafe working conditions and even deaths. It also stated workers were sometimes unpaid for weeks and trapped in employment contracts that kept them in debt.

(Source: adapted from <https://www.nytimes.com/interactive/2017/09/16/health/brazil-obesity-nestle.html> and <https://www.cnbc.com/2018/08/23/brazil-florida-orange-juice-tariff-trade-war.html>)

Using the data from Extract F, assess the impact of the exchange rate movements between January 2019 and April 2019 on the total costs of a business, such as Tropicana, which imports to the USA from Brazil.

(10)

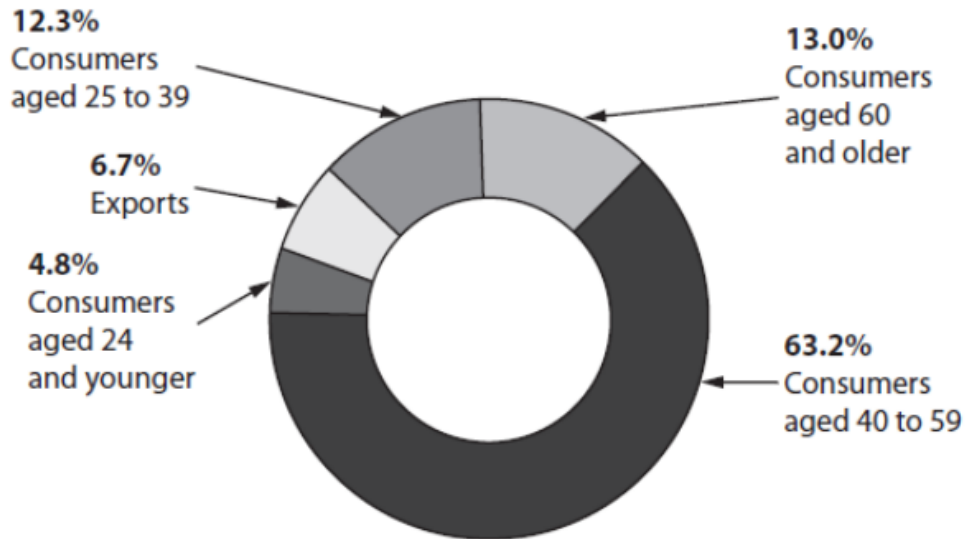
(Total for question = 10 marks)



Q12.

Extract D

The US coffee market 2016



(Source adapted from: Industry Insider Copyright © 2018)

Extract E

Estimated change in USA population by age group

Age (years)	Change (%) between 2020 and 2040
Under 24	-2.4
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Extract F

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(Source based on: ©2018 CBC/Radio-Canada)

Extract G

Staffing approaches at Starbucks

North Star is a Starbucks initiative created to focus its North American employees on what makes a good Starbucks' customer experience.

Some employees are unhappy about how North Star has affected them. Their concerns include: workers struggling with high workloads; less support and reduced management; understaffing because organisational structures in stores and regions have been made flatter. One employee said: "They cut our labour in half last year, and often there'd only be one coffee server on at a time. Staff are simply treated as a cost".

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(Source adapted from: © 2018 Insider Inc)

Q13.

Extract C

Global dark chocolate market 2015-2019

Global dark chocolate sales are expected to rise from \$34.25bn to \$51.7bn by 2019 - an average 9% each year up to 2019 - according to market research company, Technavio.

'A growing awareness of the health benefits of dark chocolate (improved blood flow, enhanced cognition and better metabolism) is likely to lead to a considerable rise in consumer demand in the next five years, states Technavio's report.

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'There is also a growing demand for dark chocolate in developing countries, driven by a rise in incomes and changes in eating habits with growing urbanisation!

India is the fastest growing chocolate market in the world, partly driven by rising demand for dark chocolate, such as a dark chocolate version of Nestlé's Kit Kat Senses.

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Europe makes up 45% of the global dark chocolate market, followed by 32% in the Americas, 12% Asia-Pacific and 11% for the rest of the world.

(Source: adapted from C William Reed Business Media Ltd 2017)

Assess the importance of cultural and social factors that might affect the sales of dark chocolate in emerging economies, such as India.

(Total for question = 12 marks)

Q14.

Extract E

Pure Gym founder on why he started Pure Gym

Pure Gym, which Peter Roberts started in 2009 with four sites in the UK, now has 90 gyms from Aberdeen to Southampton.

Roberts, who trained as a chartered surveyor and then became a leisure entrepreneur investing in nightclubs and hotels, got the idea for Pure Gym after spotting the low-cost gym trend in America, Germany and Scandinavia. At the time, the UK was dominated by the relatively expensive gym chains.

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Pure Gym opened 30 new gyms in 2014 and a further 40 the following year. It has a target of having 250 to 300 gyms in the UK by 2020. Pure Gym is now Britain's largest gym chain by membership, with 450,000 members paying between £9.99 and £25 a month. It expects to overtake Virgin Active as the operator with the largest number of sites by the end of March 2015.

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Each site contains just a gym, with no swimming pools, saunas or racquet courts. Each Pure Gym typically employs just two staff, supported by up to 12 self-employed trainers. Members join online, paying monthly with no annual contracts and use PIN codes to access the gyms 24 hours a day.

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Roberts wants Pure Gym to expand overseas in Italy, Spain, and emerging markets, such as those in Asia, South America and Africa.

(Source: adapted from <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11337645/Pure-Gym-founder-on-how-he-built-Britains-biggest-gym-chain.html>, 10 January 2015)

When choosing to expand overseas, there are a number of factors that may limit the success of this strategy.

Assess the likely importance of these factors to Pure Gym's expansion into emerging markets, such as those in Asia, South America or Africa.

(10)



Q15.

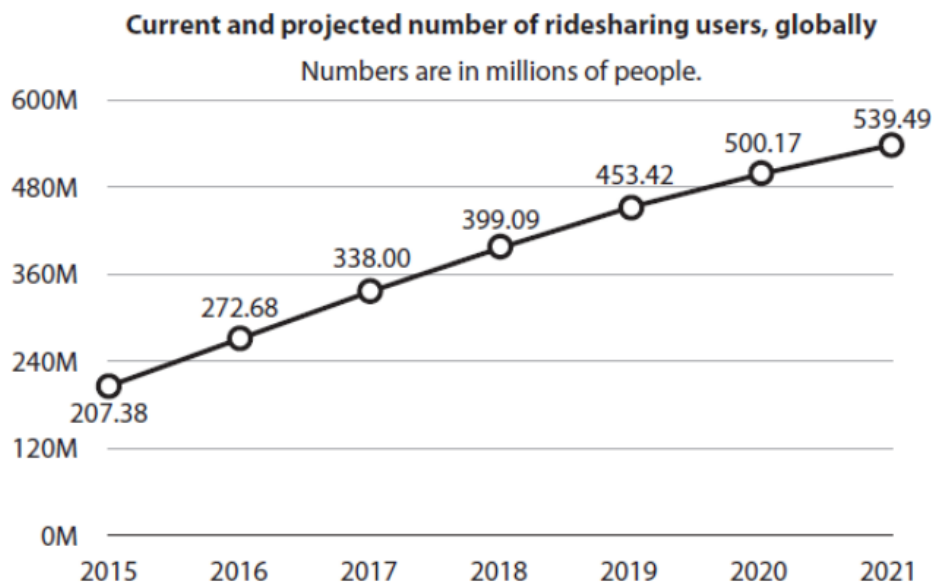
Extract D

Estimates of price elasticity of demand (PED) of car brands

Brand	PED
Audi	-4.63
Ford	-2.75
Land Rover	-6.75
Suzuki	-1.64
Toyota	-2.65
Volkswagen	-2.31

(Source: adapted from <https://repository.library.northeastern.edu/files/neu:349589/fulltext.pdf>)

Extract E



Ridesharing is an arrangement in which a passenger travels in a private vehicle driven by its owner for a fee by a means of a website or app.

(Source: from <https://www.statista.com/outlook/368/100/ride-hailing/worldwide#market-revenue>)

Extract F

Ridesharing businesses in India

Ola is an Indian ridesharing business. Its main competitor is American-owned Uber. Ola's strength is local knowledge; it has always accepted cash payments, while it took Uber nearly two years to do the same. Ola's app also supports nine regional languages for drivers, which is important as only 10% of Indians speak English. Ola offers three different services: premium, low-cost and car-pooling. Ola's auto rickshaws, which have their own safety standards, are successful in smaller cities where distances are shorter.

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After its exit from China, Uber said it would divert a 'significant portion' of its planned \$1 billion marketing budget to India. This led to calls from Indian businesses for government laws to limit investment by non-Indian businesses into the market.

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In one of Uber's other markets, the USA, a former Uber engineer alleged sexual harassment by her manager, and one of the founders of Uber was caught swearing at an Uber driver. Other questions about Uber's business practices have been raised: trade unions have requested drivers receive basic rights such as a living wage and unemployment insurance; Uber classifies its drivers as independent contractors and so they are not eligible for benefits such as overtime and health insurance.

15

Uber's pricing structure has also been criticised, after allegations it routinely overcharges customers. It was recently sued for not providing enough vehicles accessible to wheelchair users.

(Source: from <https://qz.com/1200878/with-uber-in-crisis-ola-zooms-ahead-in-indias-taxi-wars/> and <https://www.theverge.com/2017/6/30/15904510/uber-open-letter-board-ethical-recommendations>)

Extract G

Ford and Mahindra joint venture

Mahindra, an Indian-based car manufacturer, and Ford have signed a deal to develop a new Sports Utility Vehicle (SUV) for the Indian market. These will have a Ford body and badge, but will be based on a car chassis (frame) that will be made by Mahindra.

5

The deal will see Mahindra and Ford cooperate with each other for a period of three years. While Ford may gain economies of scale and a lower cost structure from Mahindra's new car chassis, Mahindra will get access to Ford's engineering knowledge. Mahindra will also get support in global emerging markets, including Ford's manufacturing and car distribution network. The Managing Director of Mahindra Ltd said, "Both teams are working together and building on mutual strengths. We are excited about the synergies unveiled through this joint venture and the potential opportunities it will bring."

10

(Source: adapted from <https://auto.ndtv.com/news/ford-and-mahindra-confirm-jointly-developed-suvs-electric-car-for-india-1827425>)

Assess the likely consequences for Ford of its joint venture with Mahindra.

(12)

(Total for question = 12 marks)