

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.

Extract E

Get on your bike

Northfield Cycles (NC), Birmingham, was established in 1996 by Richard Tranter, a semi-professional cyclist. It has gone from strength to strength as a retailer, repairs and servicing centre.

In 1996, unemployment in the region was growing because of the gradual closure of the Rover car manufacturing plant in nearby Longbridge. NC flourished thanks to cheap overheads but especially given the demand from locals on low incomes. Cars, it seems, were being exchanged for bikes.

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Initially Richard sold an average of 20 bikes a week, growing to 20 bikes a day in the summer of 2012. Sales were boosted by Bradley Wiggins winning the Tour de France and the successes of the Great Britain Cycling Team at the London Olympics.

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NC sold an average of £40,000 worth of bikes per week. Sales then experienced phenomenal growth in 2019 because of UK Government schemes and the closure of a competitor, Action Bikes, in Longbridge.

(Source: adapted from interview with Richard Tranter, Joint Proprietor/ Manager of Northfield Cycles, November 2020, <http://northfieldcycles.co.uk> and <https://www.britishcycling.org.uk>)

Extract F

Northfield Cycles stock from the Far East

Since opening in 1996, Richard has sold popular brands such as Giant, Scott, GT and Raleigh. This means that 95% of the bikes, helmets, clothing and equipment are manufactured in China, Taiwan, Vietnam and Malaysia, with the remaining 5% from Europe, mostly Germany.

5

The majority of bikes sold at NC are priced between £900-£1100, though they can sell at anything from £90 to £24,000.

The product life cycle of a high performance Giant bike can be as short as 12 months, which means that discounts become a common sales feature at NC.

(Source: adapted from interview with Richard Tranter, Joint Proprietor/ Manager of Northfield Cycles, November 2020)

Extract G

'Cycle To Work' and 'Fix Your Bike' schemes

The updated June 2019 Cycle To Work scheme allows employers to provide funding for bikes and equipment worth up to £10,000, including electric bikes (e-bikes).

The Department for Transport said that the changes were made to promote the increased use of e-bikes to help tackle congestion, speed up commutes and cut travel costs, as well as reduce air pollution in cities.

5

In 2020 the UK Government launched its Fix Your Bike scheme - a scheme that saves customers up to £50 on bike repairs.

(Source: adapted from <https://www.cyclingweekly.com/news/product-news/e-bike-cycle-work-scheme-without-1000-limit-launched-uk-government-426596> and <https://www.cyclescheme.co.uk/>)

Extract H

Expansion plans at Northfield Cycles

In April 2020, Richard approached architects, Slaters Ltd of Dudley, to prepare expansion plans for NC.

Plan A

To remove existing walls and partitions, extending the shop by 25 m². Upgrade the basement of the premises to become the workshop for bike repairs and servicing. The net present value for this project is £4,989 given a 10% discount rate.

Plan B

To build an extension to the rear of the premises, extending the shop by 40 m². Completely refit the basement of the premises to become a high-tech workshop for bike repairs and servicing, to include e-bikes.

The predicted net cash-flows were as follows:

Year	Plan A, £000s	Plan B, £000s
0	(12)	(60)
1	3	12
2	4	15
3	5	20
4	6	26
5	5	28

Discount rates table for 10% interest rate	
Year 1	0.909
Year 2	0.826
Year 3	0.751
Year 4	0.683
Year 5	0.621

(Source: adapted from interview with Richard Tranter, Joint Proprietor/ Manager of Northfield Cycles, November 2020)

Assess the likely effects of protectionism on Northfield Cycles.

(10)

(Total for question = 10 marks)



Q2.

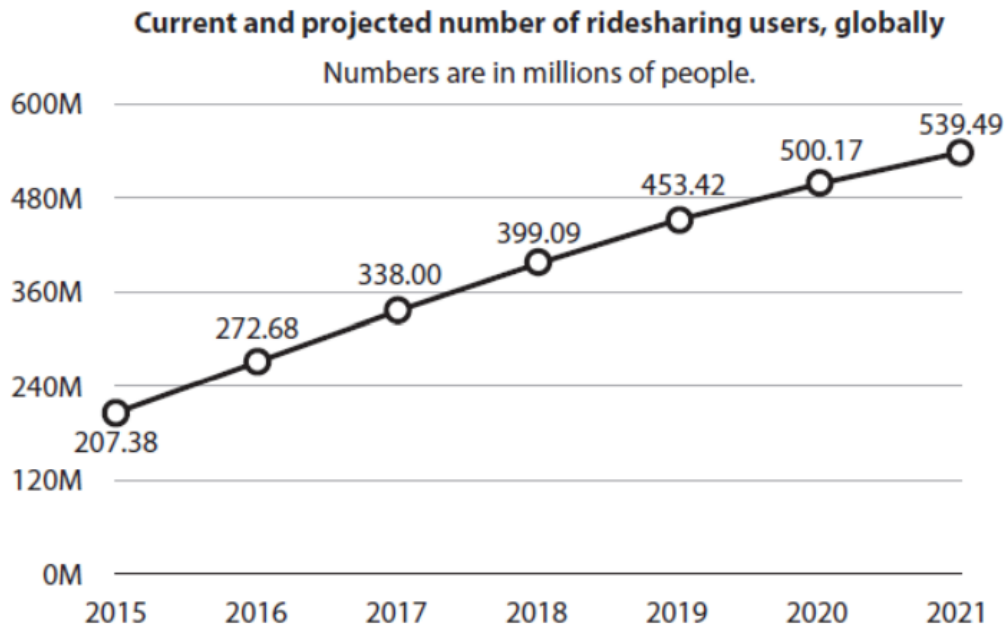
Extract D

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>)

For more help visit our website <https://www.exampaperspractice.co.uk/>

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.

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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 future growth of ridesharing businesses in an emerging economy, such as India.

(10)

(Total for question = 10 marks)

Q3.

Extract E

Pfizer merges with Allergan

In 2015, American healthcare business, Pfizer, announced a merger with Irish Botox maker, Allergan plc, in a deal worth \$160bn. The merger created the world's largest producer of drugs and shifted Pfizer's headquarters to Ireland - a member of the European Union. Its headquarters are in Dublin; the business also manufactures in Cork and Sligo. This was the biggest ever instance of a US company relocating its headquarters overseas in order to lower its taxes.

5

The deal provided access to about 70 additional worldwide markets for specialist Allergan products, such as Botox wrinkle treatment, Alzheimer's drug Namenda and dry-eye medication Restasis. It was not known at that time how many jobs would be lost as a result of the merger.

10

For 166-year-old Pfizer, Allergan was the fourth merger or takeover in the previous 15 years, following the purchases of Warner-Lambert, Pharmacia and Wyeth. Pfizer made profits of \$9.135bn in 2014. This also caps a record year for global healthcare mergers, taking their total value in 2015 to more than \$600bn.

15

(Source: adapted from <http://www.reuters.com/article/us-allergan-m-a-pfizer-idUSKBNOTBOUT20151124>)

Extract F

Top rate of Corporation Tax as (%) of profits in selected economies

Location	2014	2015
Ireland	12.5	12.5
United Kingdom (UK)	21	20
United States (USA)	40	40
Asia (average)	21.91	21.96
European Union (average)	21.34	22.25
Global (average)	23.64	23.72

(Source: adapted from <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>)

Q4.

Extract F

Ebac Ltd

Ebac Ltd is Europe's leading manufacturer of bottled water coolers and domestic dehumidifiers. It is a privately owned, family-run, company. Ebac Ltd has been the market leader in Western Europe for water coolers since the mid-1990s. For the past 30 years Ebac Ltd has continued to expand its UK operations.

5

Ebac Ltd employs over 200 people in the North East of the UK, where labour costs are below the UK average. Ebac Ltd retains a strong export focus with 70% of its turnover coming from sales to Continental Europe. In late 2015 Ebac Ltd began a £7m expansion project that would make it the only UK-based maker of washing machines, filling a gap left behind when Indesit moved production of Hotpoint machines to Italy. Ebac Ltd's washing machines will be sold in the UK only.

10

Ebac Ltd develops innovative quality products to meet customer needs. Its employees help make this happen.

The Ebac Ltd Foundation was set up in 2012. Its principles include the commitment that all profits are invested back into the company to generate growth and more jobs, and into the community to sponsor training, education and sport.

15

(Source: adapted from © Ebac.com)

Assess the likely impact on Ebac Ltd of choosing the UK as a production location.

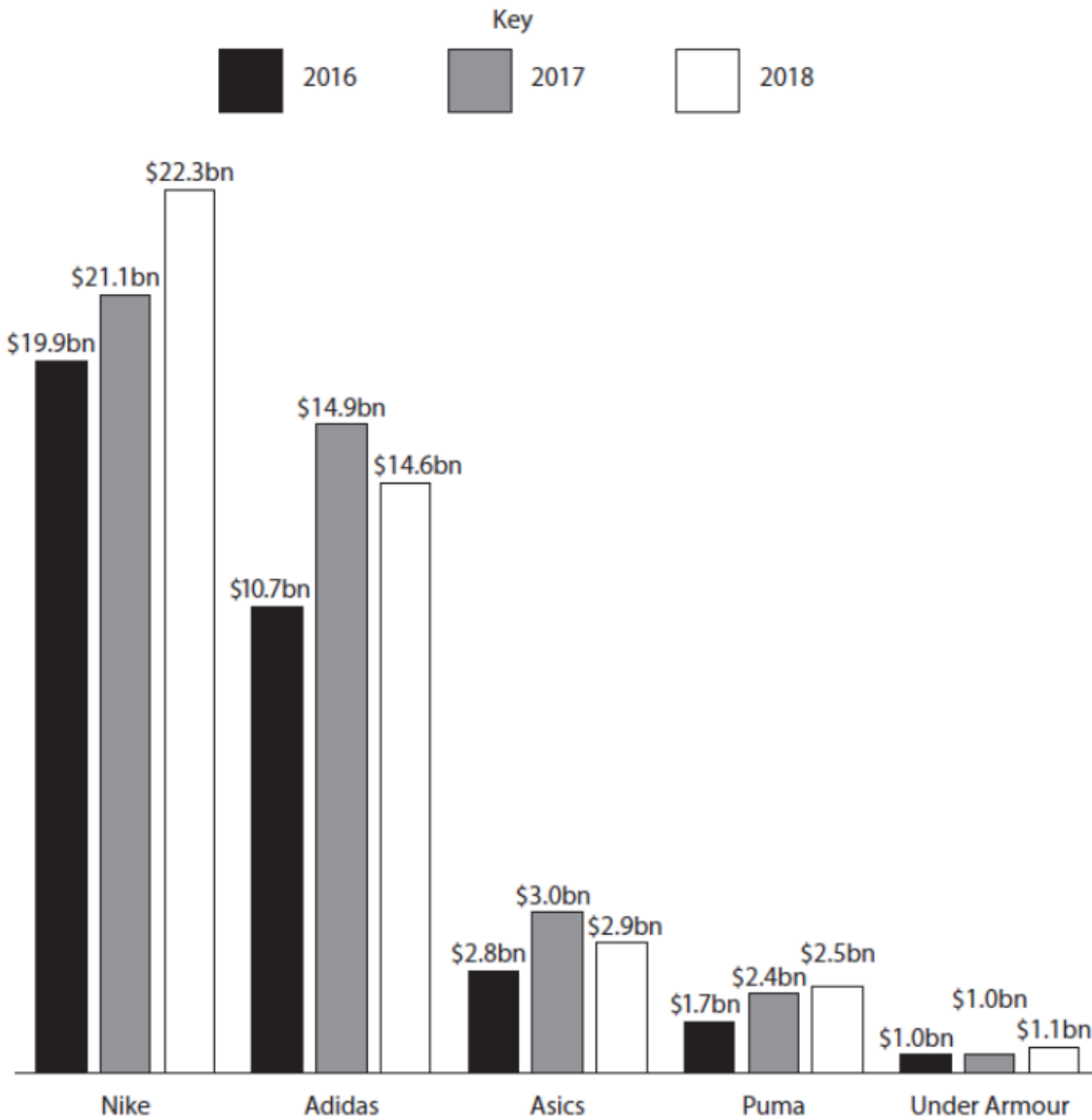
(Total for question = 12 marks)



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)

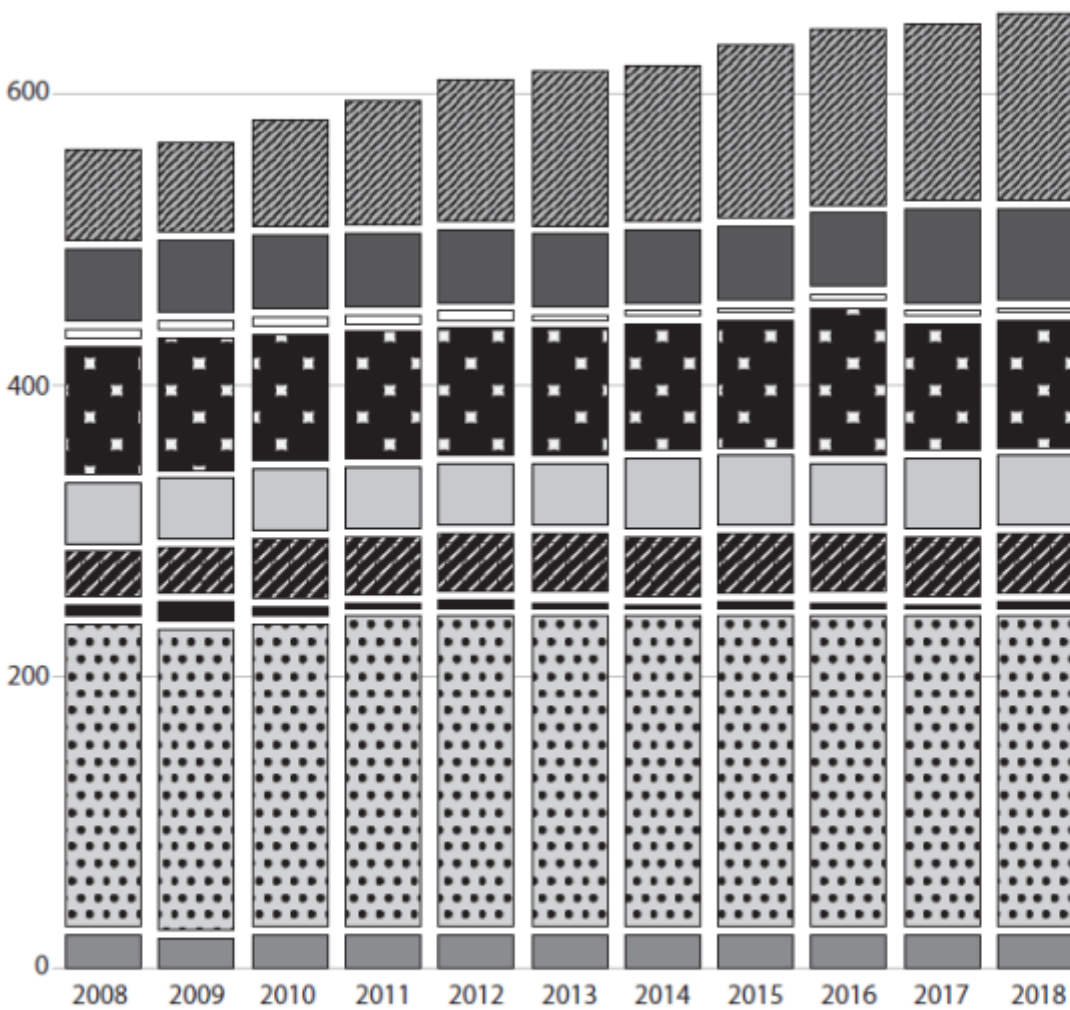


Extract E

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

Inhabitants in millions

800



Key



(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.

5

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.

10

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.

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(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.

5

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.

15

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

Assess the possible impact of multinationals, such as Nike, on the economy of Indonesia.

(12)

(Total for question = 12 marks)



Q6.

Assess the likely value of behaving ethically, to a fashion business such as H&M.

(10)

A series of horizontal dotted lines for writing the answer.

Q7.

Extract E

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(Source: adapted from <http://www.reuters.com/article/us-allergan-m-a-pfizer-idUSKBNOTBOUT20151124>)

Extract F

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(Source: adapted from <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>)

Assess the ways in which specialisation might give a business, such as Pfizer, a competitive advantage when trading internationally.

(10)



EXAM PAPERS PRACTICE

A series of horizontal dotted lines for writing practice.



EXAM PAPERS PRACTICE

Dotted lines for writing.

(Total for question = 10 marks)

Q8.

Extract A

Benefits of McDonald's to London and the UK

London represents an important part of the McDonald's story. It opened its first UK restaurant in Woolwich in 1974.

In 2016, McDonald's added £540 million in revenue to the Greater London economy. 82% of restaurants in London are owned and operated by 24 franchisees - local entrepreneurs - with the remainder operated by the corporate group (McOpCo). McDonald's and its franchisees have become important members of communities in London: investing in skills and developing people, supporting local causes and getting kids into football.

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Today McDonald's has 183 restaurants across London, employing 15,000 people, with a presence in every borough. In the UK, McDonald's operates over 1,250 restaurants and employs just over 115,000 people. Over 80% of restaurants are operated by franchisees as local businesses. Worldwide, today, there are over 38,000 restaurants.

10

(Source: adapted from <https://www.london.gov.uk/sites/default/files/McDonald%27s%20Restaurants%20Ltd%20%282650%29.pdf>)

Extract B

Jamie Oliver's empire collapses

Jamie Oliver's has closed all but three of 25 UK restaurants, with the loss of 1,000 jobs, after the business called in administrators.

The celebrity chef said he was "deeply saddened" by the blow to his restaurant empire, which first launched in London in 2002.

5

"I appreciate how difficult this is for everyone affected," he said. "We launched the brand Jamie's Italian in 2008, with the intention of positively disrupting mid-market dining in the UK high street. The brand offered great value and much higher quality ingredients, best-in-class animal welfare standards and an amazing team who shared my passion for great food and service. And we did exactly that."

10

Will Wright, a partner at KPMG and the joint administrator, said: "The current trading environment for companies across the casual dining sector is as tough as I've ever seen. The directors at Jamie Oliver's have worked tirelessly to stabilise the business against a backdrop of rising costs and weak consumer confidence."

(Source: adapted from Jamie Oliver's empire collapses as 22 UK restaurants close
By Sarah Butler Guardian News & Media Ltd, 21 May 2019.)

Extract C

Hospitality firms can make use of various loans, grants and tax cuts

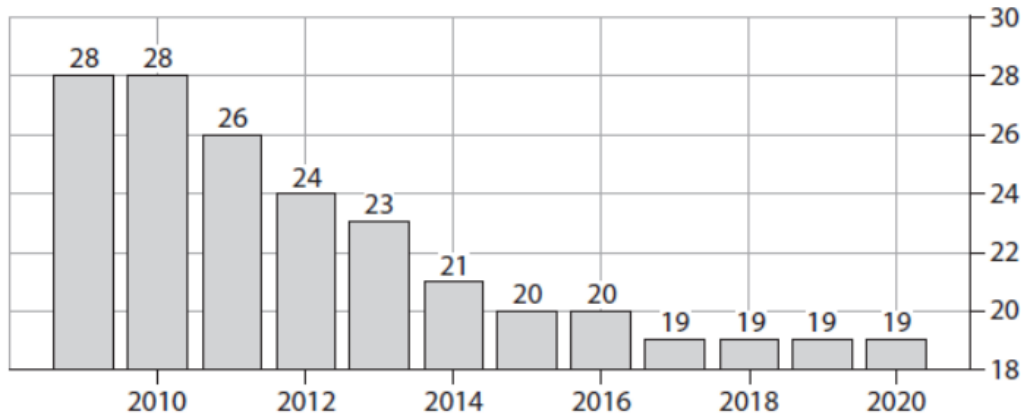
The hospitality industry warned that it faced an 'obvious crisis' without financial support from the UK Government.

Shops, restaurants, cafes, pubs, bars and cinemas were the first businesses to feel the full effect of the economic recession in 2020.

5

In March 2020, the Chancellor of the Exchequer pledged to provide a £330 billion package to help businesses through the recession, with a number of measures such as tax cuts and millions of pounds in grants and loans.

(Source: adapted from What help the government has announced for the hospitality sector - and how to apply for support By Rachel Millard and Sophie Smith C Telegraph, 26 March 2020) UK corporation tax rates, 2009-2019 (%)



(Source: adapted from <https://tradingeconomics.com/united-kingdom>)

Extract D

Mindful Chef sees sales boost

Childhood school friends Rob Grieg-Gran, Giles Humphries and Myles Hopper founded Mindful Chef in 2015. The London-based delivery company now employs 27 people and aims to make healthy eating easy by creating healthy food boxes with locally sourced, high quality ingredients, complete with tasty recipes.

5

Since its launch, Mindful Chef has grown rapidly, with a 178% increase in sales in 2019, delivering nearly two million meals to UK consumers, with annual sales of £10 million.

The sales boost could enable Mindful Chef to grow its customer base in the UK to second place behind market leader Gousto, helping it to capitalise on the expanding recipe box market, which is forecast to double over the next 10 years.

10

More ambitious long-term expansion plans also include exploring options to either undertake a global merger with US company Blue Apron, or a joint venture with French supermarket chain Auchan to help secure customers in France.

(Source: adapted from <http://www.fruitnet.com/fpj/article/177512/mindful-chef-gets-6m-boost-1>)

Using Extract A, assess two likely reasons why US fast food companies such as McDonald's choose to locate rest

(8)

(Total for question = 8 marks)

Q9.

Extract E

Derby Theatre

In 2008, what was the Derby Playhouse, seemed doomed to close. The childhood inspiration behind the remarkable success of Sir John Hurt, was kept afloat despite shrinking local council grants and low audiences. It became known as Derby Theatre, when rescued through a takeover by the University of Derby in 2012, thanks to the 'civic mindedness' of Professor John Coyne, CBE, the then Vice-Chancellor of the University.

Derby Theatre operates on a day-to-day basis mainly thanks to an annual £795,000 Arts Council grant paid by instalments every quarter. Box office incomes do vary throughout the year, depending on performances and the local competition from the Derby Live Arena and Derby's Guildhall. Derby Theatre's bar and catering revenues average between 50p and £3.50 per head, from audiences of up to 575.

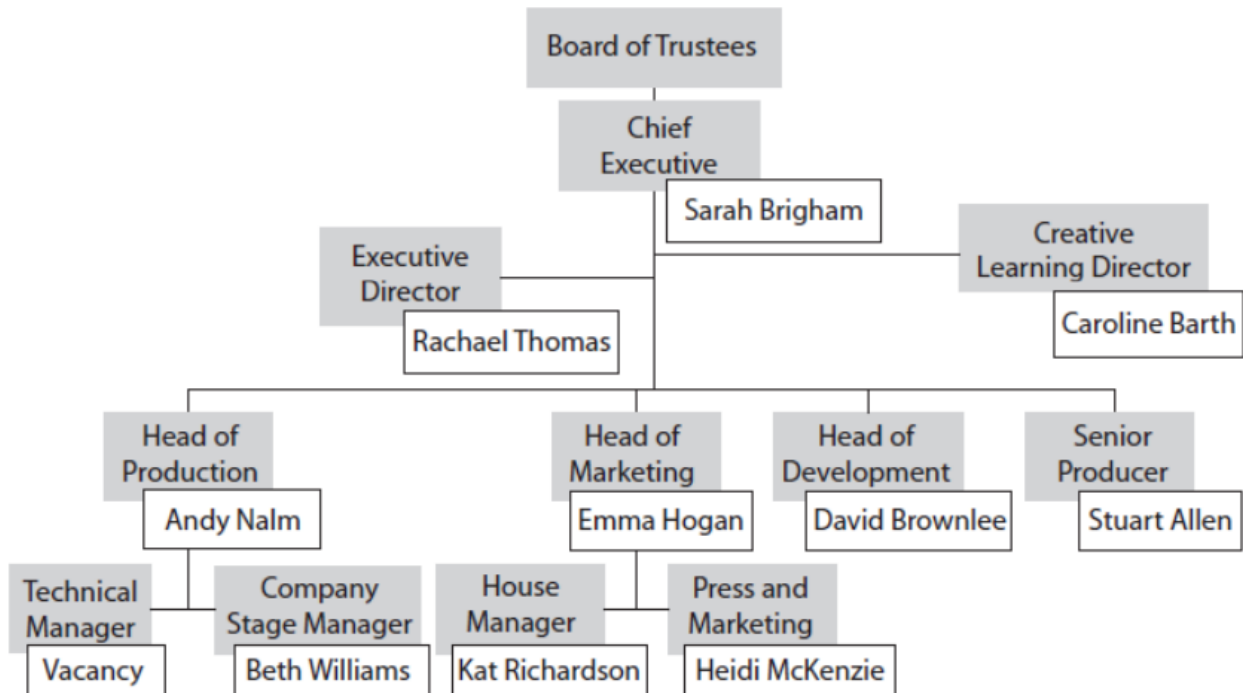
(Sources: <https://www.derbytelegraph.co.uk/news/derby-news/made-derby-how-derby-playhouse-1576915> and interview with Rachael Thomas, Executive Director of Derby Theatre)

Extract F

Derby Theatre: Organisational structure, June 2018 (a section from*)



EXAM PAPERS PRACTICE



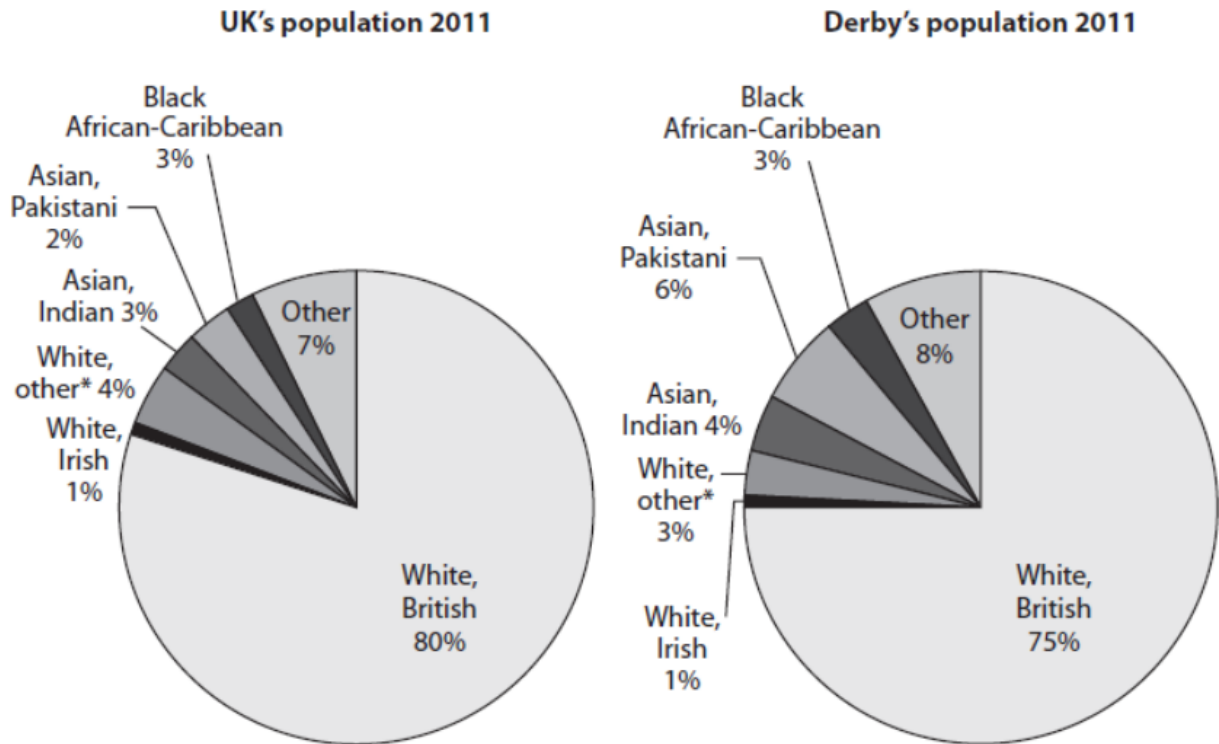
*Staffing at Derby Theatre totals 50 full-time equivalents and six freelance managers. Specialist management roles are often advertised through national media.

(Source: Rachael Thomas, Executive Director of Derby Theatre)



Extract G

Ethnicity profiles



*Note: The 'White, other' ethnic group, which includes migrants from Eastern Europe, made up 3% of Derby's population in 2011, making it the third largest Black and Minority Ethnic group in the city. Between censuses, the Office for National Statistics publishes mid-year estimates. In 2016 they estimated that Derby's 'White, other' population had increased to 4.2%.

(Sources: Office of National Statistics, (KS201EW), Census 2011 and <https://www.derby.gov.uk/council-and-democracy/statistics-and-census-information/census-information/>)

Extract H

National Theatre (NT), London

The NT makes world-class theatre for everyone that is entertaining, challenging and inspiring. It had 91% capacity in 2017-18, and over 30% of tickets cost £20 or less. NT had 10 shows on tour in 36 towns and cities across the UK. All this added up to 115 weeks- worth of performances, squeezed into one year.

5

Worldwide, NT's audience was 8 million in 2017-18, through live theatre and events, NT Live broadcasts, television and radio broadcasts, educational workshops and interactions with in-depth digital content.

Around 4,000 people worked at the NT in 2017-18 - from actors, to ushers, to scenic artists. It is one of the largest employers in London, with hundreds of skilled craftspeople, practitioners and artists.

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The NT receives a regular Arts Council England grant of £16.7m each year, which allows it to take its work around the country, run educational workshops, protect low ticket prices, and to invest in the development of new work and world-leading artists.

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UK Arts Council funding is increasingly being determined by criteria that encourages diverse programming to overcome the labelling of all theatres as 'white, middle-class institutions.

Public funding for the Arts makes up just 0.05% of government spending and delivers a return of £5 in taxes for every £1 invested. This modest investment in the Arts is one of the reasons why the Creative Industries are the fastest growing part of the UK economy.

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(Source: <https://www.nationaltheatre.org.uk/about-the-national-theatre/key-facts-and-figures>)

Assess the likely value to Derby Theatre of producing and staging shows that recognise the cultural diversity of Derby's population.

(12)

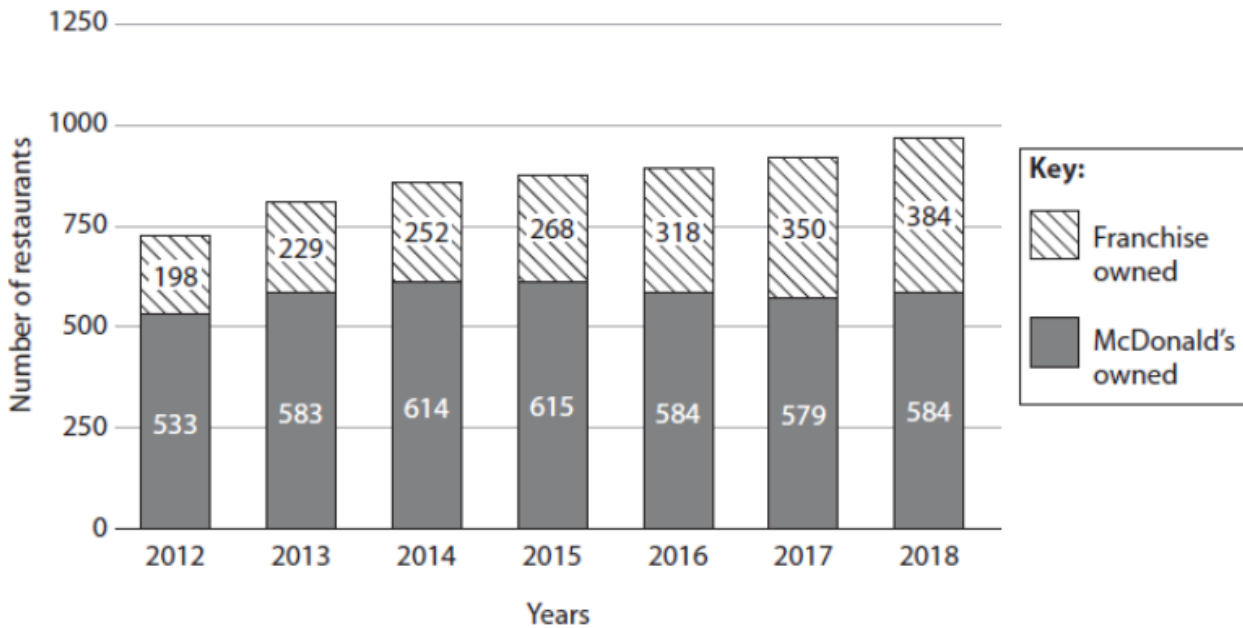
(Total for question = 12 marks)



Q10.

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, Citrusuco, exports 50% of the total orange juice exported to the USA, a total market worth \$1.4 billion. One of the American companies Citrusuco 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>)

Assess whether legal controls are the most effective way of controlling the actions of multinational companies in countries, such as Brazil.

(12)

(Total for question = 12 marks)

Q11.

Extract A

UK's live entertainment industry revenue hits new highs in 2017

The West End, London debut of the hit Broadway musical Hamilton, mega concerts by U2 and Guns N' Roses and the return of Star Wars helped boost the UK's live entertainment sector to a record £17bn in revenues last year. Growth will continue this year as the UK's live entertainment economy - which ranges from cinema visits to attending music and arts festivals and live tours of TV shows including The X Factor - is forecast to surge by another £400m.

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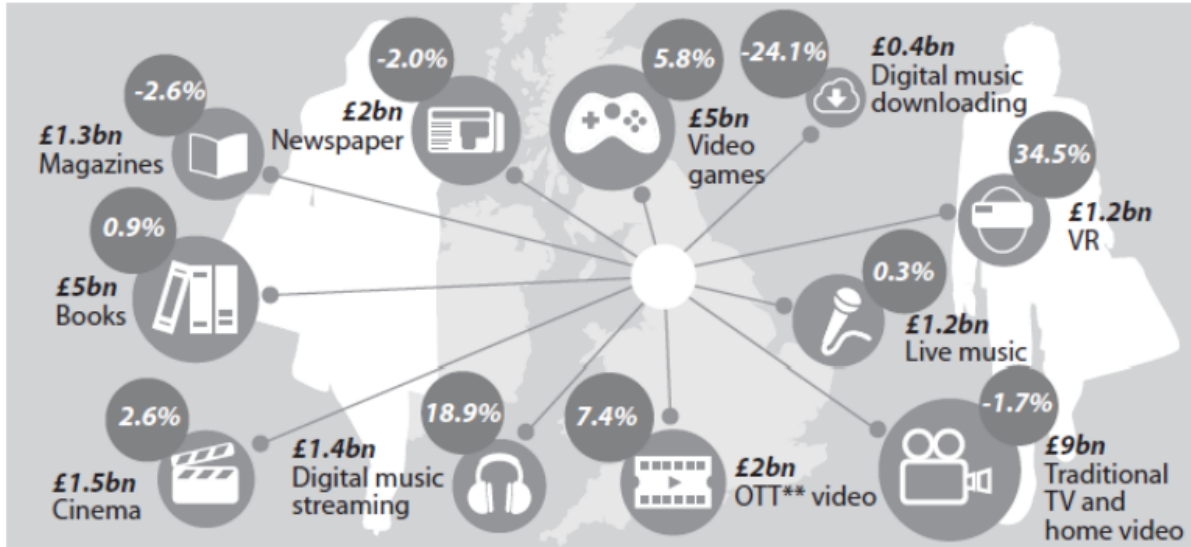
Revenue from live performances, such as concerts or the theatre, reached £2.1bn last year and is expected to grow a further 7% in 2018, according to a report from Deloitte.

(Source: <https://www.theguardian.com/media/2018/jan/19/uks-live-entertainment-industry-hits-new-highs>)



Extract B

Forecast UK consumer spending habits in 2022*



*when compared to 2018

**OTT stands for 'over-the-top', the term used for the delivery of film and TV content through the internet with companies such as Netflix or Amazon Prime, without requiring users to subscribe to a traditional cable or satellite pay-TV service such as Sky or BT Vision.

(Source: <https://www.pwc.co.uk/industries/entertainment-media/insights/entertainment-media-outlook.html>)

Extract C

ITV Chief: Now is last chance to build British challenger to Netflix

The new Chief Executive of ITV, Carolyn McCall, declared that building a UK subscription video-on-demand service is a priority in order to compete with the US-based streaming superpowers Netflix and Amazon.

Netflix's core US market is close to saturation, so its international markets are driving growth. UK viewers are flocking to the US giant: Netflix has almost 10 million UK subscribers, compared to Sky's 9.6 million pay-TV and Amazon Prime Video's 7.3 million subscribers.

5

McCall said 'to provide the depth and breadth of programmes for an ITV subscription video-on-demand service, programmes that were previously licensed to Netflix must instead be kept by ITV. This means no more deals such as licensing Love Island, the ITV2 reality TV show, to Netflix.

10

'The best chance of creating a viable rival to Netflix is for the UK's public service broadcasters (PSBs) to join forces. However, she conceded that a joint venture between the publicly-listed ITV, the licence fee funded BBC and state-owned commercially funded Channel 4 - is proving difficult.

15

'We all have different ownership structures and we all have slightly different objectives!

ITV has Britbox, a joint venture streaming service with the BBC. However, it is available only in the US. In 2007 the BBC, Channel 4 and ITV created the OTT service Kangaroo, but it was ultimately blocked by the UK competition regulator in 2009.

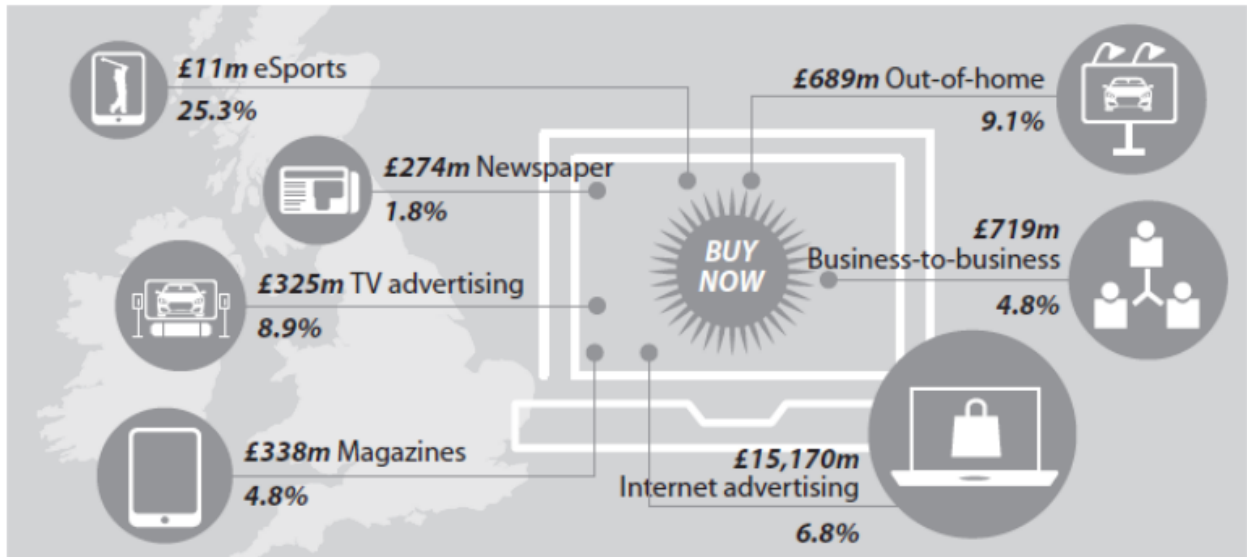
20

Netflix plans to raise \$2bn so it can invest in producing new programmes. The costs of its streaming services amount to \$30bn - higher than the annual revenue it expects to receive from its 130 million users in 190 countries across the world, with the US its largest market.

(Sources: <https://www.theguardian.com/business/2018/oct/21/itv-chief-now-is-last-chance-to-build-british-challenger-to-netflix?> and <https://www.theguardian.com/media/2018/oct/22/netflix-plans-to-raise-2bn-as-it-invests-in-new-content>)

Extract D

Forecast UK advertising expenditure in 2020*



*when compared to 2018.

(Source: <https://www.pwc.co.uk/industries/entertainment-media/insights/entertainment-media-outlook>)

Using the data in Extracts B and C, assess the extent to which saturated markets might

stimulate a business such as Netflix to trade internationally.

(12)

(Total for question = 12 marks)

Q12.

Extract E

Pfizer merges with Allergan

In 2015, American healthcare business, Pfizer, announced a merger with Irish Botox maker, Allergan plc, in a deal worth \$160bn. The merger created the world's largest producer of drugs and shifted Pfizer's headquarters to Ireland - a member of the European Union. Its headquarters are in Dublin; the business also manufactures in Cork and Sligo. This was the biggest ever instance of a US company relocating its headquarters overseas in order to lower its taxes.

5

The deal provided access to about 70 additional worldwide markets for specialist Allergan products, such as Botox wrinkle treatment, Alzheimer's drug Namenda and dry-eye medication Restasis. It was not known at that time how many jobs would be lost as a result of the merger.

10

For 166-year-old Pfizer, Allergan was the fourth merger or takeover in the previous 15 years, following the purchases of Warner-Lambert, Pharmacia and Wyeth. Pfizer made profits of \$9.135bn in 2014. This also caps a record year for global healthcare mergers, taking their total value in 2015 to more than \$600bn.

15

(Source: adapted from <http://www.reuters.com/article/us-allergan-m-a-pfizer-idUSKBNOTBOUT20151124>)

Extract F

Top rate of Corporation Tax as (%) of profits in selected economies

Location	2014	2015
Ireland	12.5	12.5
United Kingdom (UK)	21	20
United States (USA)	40	40
Asia (average)	21.91	21.96
European Union (average)	21.34	22.25
Global (average)	23.64	23.72

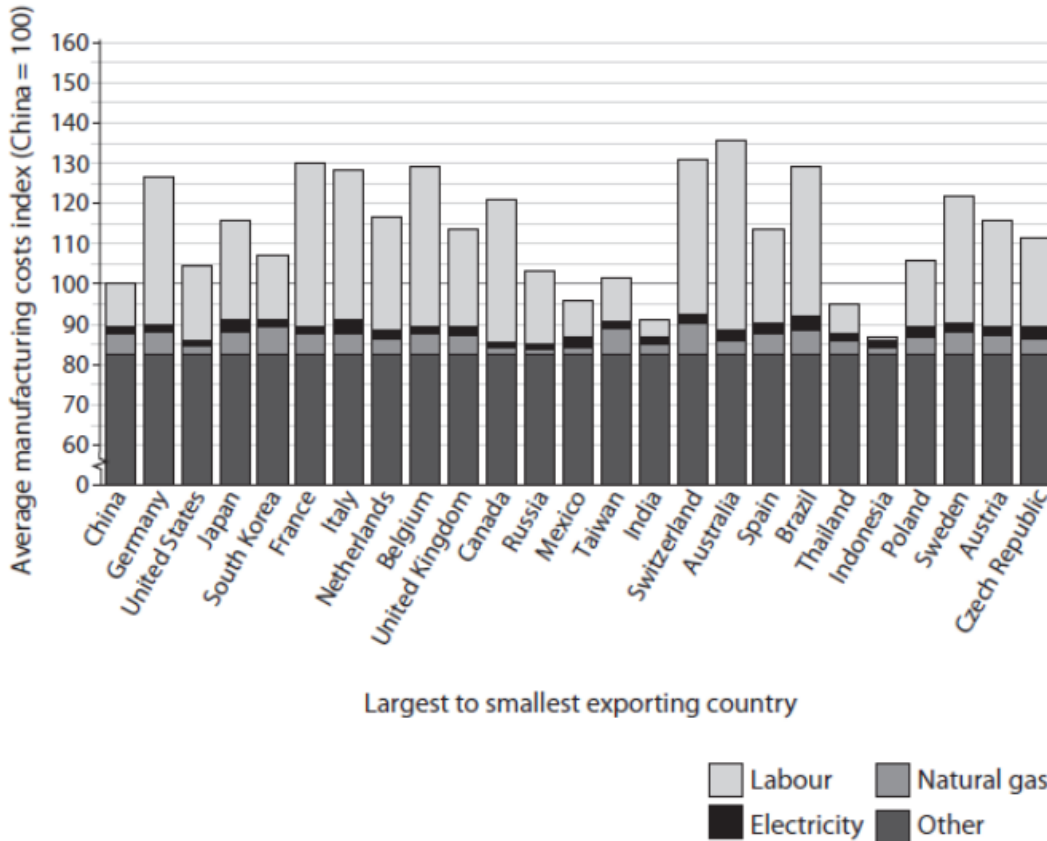
(Source: adapted from <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>)



Q13.

Extract E

Comparison of the average manufacturing costs in 2014 (China = 100)



Largest to smallest exporting country



(Source: adapted from © 2017 The Boston Consulting Group)

Using the data in Extract E, calculate the percentage of the world's top 25 exporting economies that have costs of production **above** those of the United Kingdom in 2014. You are advised to show your working.

(4)

Q14.

Extract A

Benefits of McDonald's to London and the UK

London represents an important part of the McDonald's story. It opened its first UK restaurant in Woolwich in 1974.

In 2016, McDonald's added £540 million in revenue to the Greater London economy. 82% of restaurants in London are owned and operated by 24 franchisees - local entrepreneurs - with the remainder operated by the corporate group (McOpCo). McDonald's and its franchisees have become important members of communities in London: investing in skills and developing people, supporting local causes and getting kids into football.

5

Today McDonald's has 183 restaurants across London, employing 15,000 people, with a presence in every borough. In the UK, McDonald's operates over 1,250 restaurants and employs just over 115,000 people. Over 80% of restaurants are operated by franchisees as local businesses. Worldwide, today, there are over 38,000 restaurants.

10

(Source: adapted from <https://www.london.gov.uk/sites/default/files/McDonald%27s%20>

Jamie Oliver's empire collapses

Restaurants%20Ltd%20%282650%29.pdf)

Extract B

Jamie Oliver's empire collapses

Jamie Oliver's has closed all but three of 25 UK restaurants, with the loss of 1,000 jobs, after the business called in administrators.

The celebrity chef said he was "deeply saddened" by the blow to his restaurant empire, which first launched in London in 2002.

5

"I appreciate how difficult this is for everyone affected," he said. "We launched the brand Jamie's Italian in 2008, with the intention of positively disrupting mid-market dining in the UK high street. The brand offered great value and much higher quality ingredients, best-in-class animal welfare standards and an amazing team who shared my passion for great food and service. And we did exactly that."

10

Will Wright, a partner at KPMG and the joint administrator, said: "The current trading environment for companies across the casual dining sector is as tough as I've ever seen. The directors at Jamie Oliver's have worked tirelessly to stabilise the business against a backdrop of rising costs and weak consumer confidence."

(Source: adapted from Jamie Oliver's empire collapses as 22 UK restaurants close
By Sarah ButlerC Guardian News & Media Ltd, 21 May 2019.)

Extract C

Hospitality firms can make use of various loans, grants and tax cuts

The hospitality industry warned that it faced an 'obvious crisis' without financial support from the UK Government.

Shops, restaurants, cafes, pubs, bars and cinemas were the first businesses to feel the full effect of the economic recession in 2020.

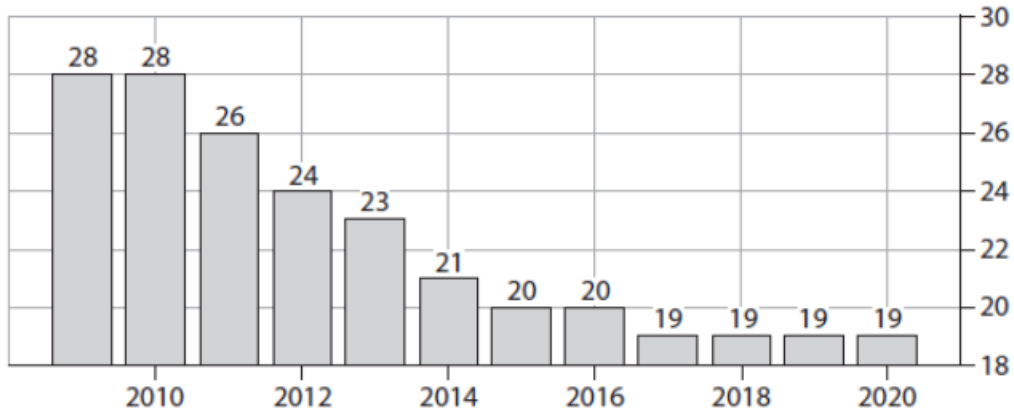
5

In March 2020, the Chancellor of the Exchequer pledged to provide a £330 billion package to help businesses through the recession, with a number of measures such as tax cuts and millions of pounds in grants and loans.

(Source: adapted from What help the government has announced for the hospitality sector- and how to apply for support By Rachel Millard and Sophie Smith Telegraph, 26 March 2020)



UK corporation tax rates, 2009–2019 (%)



(Source: adapted from <https://tradingeconomics.com/united-kingdom>)

Extract D

Mindful Chef sees sales boost

Childhood school friends Rob Grieg-Gran, Giles Humphries and Myles Hopper founded Mindful Chef in 2015. The London-based delivery company now employs 27 people and aims to make healthy eating easy by creating healthy food boxes with locally sourced, high quality ingredients, complete with tasty recipes.

5

Since its launch, Mindful Chef has grown rapidly, with a 178% increase in sales in 2019, delivering nearly two million meals to UK consumers, with annual sales of £10 million.

The sales boost could enable Mindful Chef to grow its customer base in the UK to second place behind market leader Gousto, helping it to capitalise on the expanding recipe box market, which is forecast to double over the next 10 years.

10

More ambitious long-term expansion plans also include exploring options to either undertake a global merger with US company Blue Apron, or a joint venture with French supermarket chain Auchan to help secure customers in France.

(Source: adapted from <http://www.fruitnet.com/fpj/article/177512/mindful-chef-gets-6m-boost-1>)



EXAM PAPERS PRACTICE

Using the data in Extract D and your own knowledge of business, evaluate and recommend whether Mindful Chef should seek a joint venture with Auchan, France or seek a global merger with companies such as Blue Apron, US.

(20)

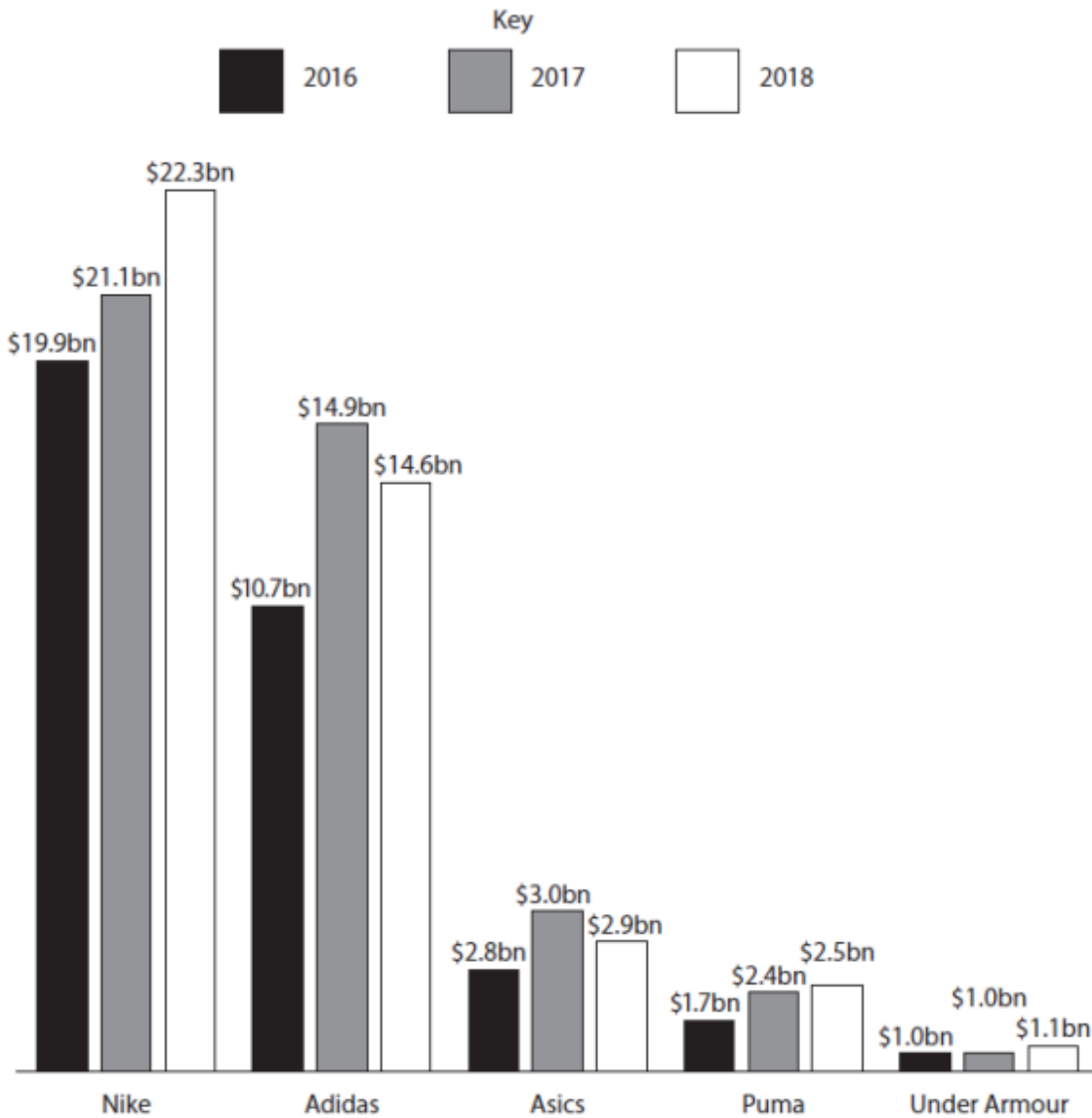
(Total for question = 20 marks)



Q15.

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)



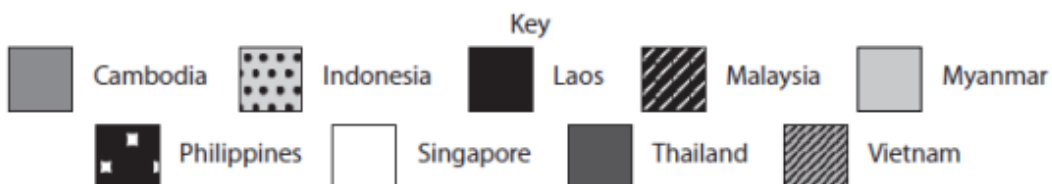
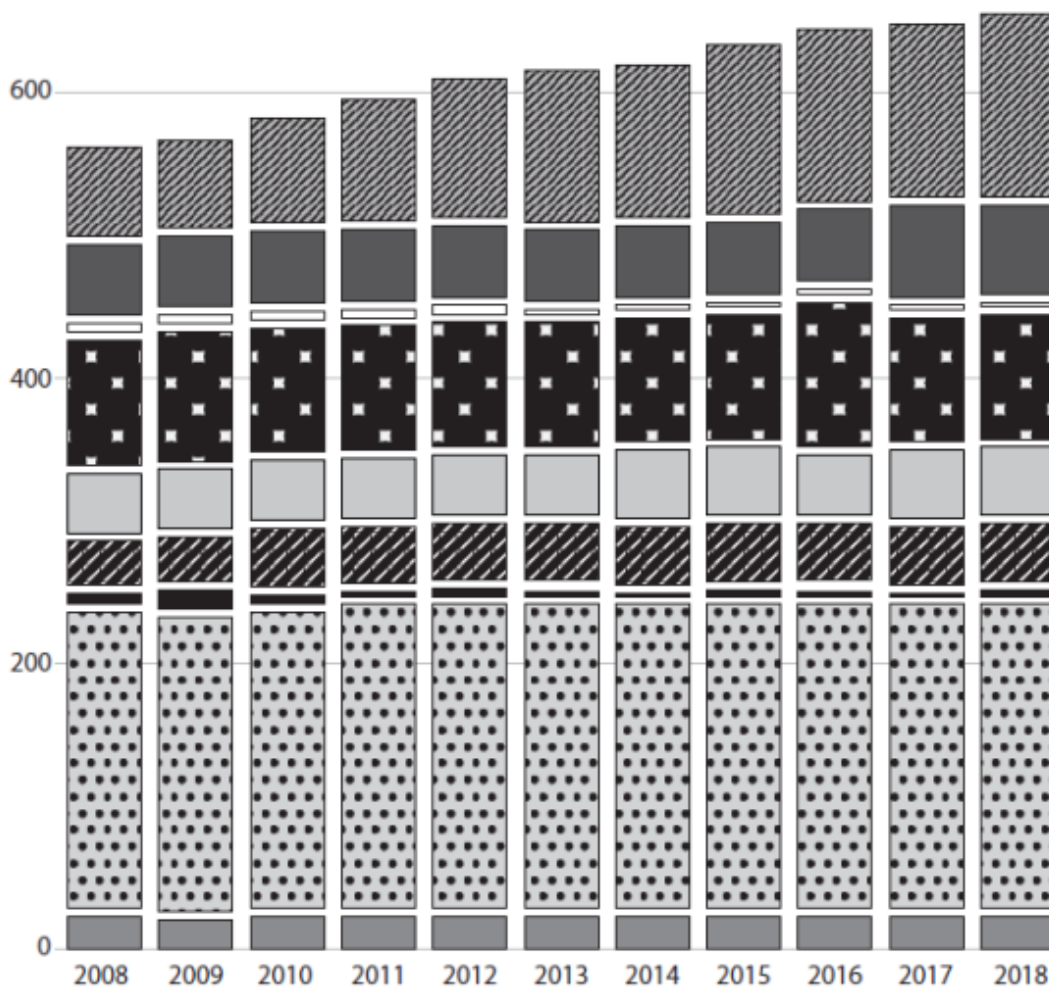
EXAM PAPERS PRACTICE

Extract E

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

Inhabitants in millions

800



(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.

5

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.

10

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).

15

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.

5

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.

10

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.

15

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

Nike is aiming to achieve competitive advantage in the global sports footwear market. In order to do this Nike could focus on cost competitiveness or differentiation.

Evaluate these **two** options and recommend which one is most suitable for Nike to maintain its global competitiveness.

(20)

(Total for question = 20 marks)