

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: Mark Scheme

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



Mark Scheme

Q1.

Question Number	Indicative content	Mark
	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6 Marks for application and analysis – include up to 4 marks for quantitative skills</p> <p>Quantitative skills assessed: QS4: interpret index numbers QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Indicative content (quantitative skills)</p> <ul style="list-style-type: none">• Reference to graph which demonstrates an understanding of an index: Chinese Yuan appreciating by 6-7%, US dollar appreciating by 7-8% and Indian Rupee fluctuating with a peak in August/September 2013 and overall appreciation of 11-12% (QS4)• The pound (£) has been strengthening over six months to varying degrees across the three markets. (QS9)• The impact will depend on how much the £ has appreciated (reference to percentage changes for each currency) (QS9)	



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Question Number	Indicative content	Mark
	<p>Indicative content</p> <ul style="list-style-type: none">• This should make prices in Chinese, Indian and US markets appear more expensive.• Demand in China, India or the US could decline.• A high percentage of the raw materials is sourced from the UK.• Luxury beds produced abroad would appear less expensive in a foreign currency relative to a Vi-Spring bed. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• The beds are aimed at individuals with a high income, therefore Vi-Spring are less likely to be affected.• Demand in Chinese, Indian or US markets is likely to be price inelastic.• Income inequality in China and India could result in much lower PED than the US.• Negligible effects due to low PED and lack of raw material imports.• Vi-Spring could have hedged to reduce its reliance on day-to-day exchange rate movements.• Depends on the degree to which Vi-Spring rely on foreign markets to make sales.	<p>(20)</p>



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Level 2	5-8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/effect(s) are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9-14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. Quantitative and qualitative information are introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15-20	Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and qualitative information are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.



Q2.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none">• Global markets are international markets, created by firms exporting and importing or offshoring• Sources of weaknesses could be political instability, structural change, poor growth of incomes in non EU economies (China's and India's growth rate slowing down from previous highs of 10% and 8% in 2012), unemployment/recession, trade barriers/protectionism, exchange rates (Yuan has been devalued, making imports more expensive), natural disasters (Tsunami), lack of investment/access to finance (since autumn 2008), lack of consumer confidence (so luxury goods purchase postponed).• Strength of the pound against other currencies makes UK exports more expensive abroad, thus demand may fall for cars• Cars are a luxury item with high PED values/positive income elasticities of demand, therefore any lack of consumer confidence or low levels of income/GDP/poor levels of economic growth, could reduce the demand for cars <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none">• Some economies, such as India and Brazil, have growing numbers of high net worth individuals, with high levels of disposable income who are increasingly purchasing prestige cars• Price competitiveness may not be as significant as product quality when it comes to the demand for cars, so an appreciation of the euro may not make exports less attractive – BMW sales are actually increasing• Weaknesses in global markets may not be too significant given the strength of customer loyalty towards a German brands like Audi or Mercedes, which should maintain sales	<p>(8)</p>



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Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effects(s) but may be assertions or incomplete. An attempt at an assessment is presented, that is unbalanced and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.



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Q3.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: up to 1 mark for</p> <ul style="list-style-type: none">• Foreign Direct Investment (FDI) is when a business with head office in one country, sets up factories, offices etc in another country• Knowledge of the way businesses are affected: e.g. increased demand; increased land prices; technology transfer; increased sales <p>Application: up to 2 marks for</p> <ul style="list-style-type: none">• Indonesian textile and rubber businesses will benefit from an increase in demand• Lower costs for Indonesian retailers of sportswear/cars/electrical goods• Increased land prices as FDI buys local land• Increased competition for other sportswear brands in Indonesia• Technology transfer to Indonesian businesses <p>Analysis: 1 mark for</p> <ul style="list-style-type: none">• Indonesian retailers/suppliers will see increased sales, which may lead to higher profit due to lower costs.	(4)



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Q4.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for</p> <ul style="list-style-type: none">• Knowledge of Ansoff's strategies: Market development; Market penetration; Product development; Diversification <p>Application: up to 2 marks for</p> <ul style="list-style-type: none">• American business Taco Bell is entering the Brazilian market• It is selling Tex-Mex dishes already sold in the USA <p>Analysis: 1 mark for</p> <ul style="list-style-type: none">• Taco Bell is selling existing products e.g. Market Development is potentially more risky than Market Penetration, as the new market is not familiar to the business.	(4)



Q5.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for</p> <ul style="list-style-type: none">• Benefits include increased sales volume/sales revenue/customer base• Exporting means that a product is produced in one country and sold to another country. <p>Application: up to 2 marks for</p> <ul style="list-style-type: none">• Ebac exports 70% of its products (by revenue) to Continental Europe• Ebac manufactures in North East England• They are the market leaders in Western Europe for watercoolers since the mid-1990s <p>Analysis: 1 mark for</p> <ul style="list-style-type: none">• Exporting provides a larger market for business such as Ebac selling specialists products like dehumidifiers, which increases potential sales revenues and provides opportunities for technical economies of scale.	(4)



Q6.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for understanding, e.g.:</p> <ul style="list-style-type: none">• Protectionism mean policies used by a government to protect domestic businesses by making foreign owned products less attractive• Legislation is a collective name for laws and regulations used by governments to restrict certain activities• government legislation as a protectionist measure is when it is framed in such a way that can give an advantage to a domestic business. <p>Application: up to 2 marks for contextualised examples, e.g.:</p> <ul style="list-style-type: none">• there were calls to limit the level of foreign investment by foreign multinationals into Indian markets.• safety rules specific to the Indian market e.g. those governing auto rickshaws. <p>Analysis: 1 mark is available for, e.g.:</p> <ul style="list-style-type: none">• ridesharing cannot be protected by tariffs or quotas as it is not a traded product, so legislation is a potential option if the Indian government wanted to protect Ola and similar businesses.	(4)



Q7.

Question Number	Indicative content	Mark
	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none">• Competitive advantage is a feature of a business and/or its products that enable it to compete effectively with rival producers/products.• If the competitive advantage is based on cost, this may be down to achieving lower costs than competitors due to purchasing economies of scale of cocoa beans or sugar or mass marketing techniques, such as TV advertising• The competitive advantage may be down to differentiation because of the quality of the chocolate. This may have been enabled by using high value ingredients, in batch production or made by hand by highly trained and skilled staff <p>Cost competitiveness</p> <ul style="list-style-type: none">• Cadbury have adopted Coco Life instead of Fairtrade to save on costs.• Cadbury have managed to seek out low cost production locations in emerging economies (offshoring in Argentina, Brazil and India) which has enabled price competitiveness for chocolate products like Dairy Milk.• The outsourcing of the production of some chocolate bars to low cost labour countries such as Poland could prevent a rise in prices caused by higher costs of ingredients like sugar caused by the fall in the £ sterling• Cadbury could use cost leadership pricing strategies to target market segments that are most price-sensitive, for example by selling multipacks of CDM aimed at families on a limited budget who buy from supermarkets• Productivity gains could be achieved by using more automation thanks to the £75m investment in the modernisation at the Birmingham plant which might enable 24 hour production of products such as Crème Eggs in the run up to Easter.	



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	<p>Product differentiation</p> <ul style="list-style-type: none">• Building a brand or reputation, which might be achieved through the promotion of the Cocoa Life partnership with farmers in Ghana. This CSR strategy should increase sales to the more discerning consumer, though it is less ethical than Fair Trade schemes• Improve the quality of the chocolate by using more cocoa solids and cocoa butter so that customers who may be prepared to pay a premium price may help boost revenues above the current £4bn	
	<ul style="list-style-type: none">• Ensuring that the chocolate is reliable in terms of taste, colour, safe to eat. The Cadbury salmonella outbreak in 2006 caused sales of certain chocolate products to fall by as much as 20%• Enhance the core product through augmentation, such as the Cadbury World experience which serves to promote the image of Cadbury and its products to families and schools• Advertising or promotion, such as by the £10m a year sponsorship of ITV's Coronation Street from 1997-2006. This had more impact than 30 second TV adverts <p><i>Possible recommendations</i></p> <ul style="list-style-type: none">• Choice of strategy depends very much on the economic climate/ownership e.g. Mondelez International. Cost competitiveness strategies may be more successful as the market becomes more sensitive to rising prices due to a shortage of cocoa or as real incomes fall given lower than inflation pay increases• As incomes in emerging economies like India rise, then product differentiation strategies may be more appropriate to attract those consumers who may buy less frequently the more indulgent type of chocolate rather than on the go snack bars. In which case Cadbury could improve its position in the global market by advertising itself as a lifestyle product, like Coca Cola.	



	<p style="text-align: center;"><u>Examples of possible 'MOPS' recommendations</u></p> <p>Market - The chocolate market is highly competitive, (oligopoly) dominated by the Mars and Nestle. Cadbury, as part of Mondelez International, might gain more sales in new markets like India and Brazil if it extended consumer choice in these countries through product differentiation</p> <p>Objectives – Product differentiation is what extends consumer choice, particularly important for impulse buys like chocolate. So by having a range of products, total sales of Cadbury products like Flake, Twirl and CDM should add up to provide a competitive advantage given the higher probability of consumer sales over, say, Mars products.</p> <p>Product - World commodity prices for things like cocoa are rising. So, cost competitiveness is critical to competitive advantage in order to offset these significant rising costs over rivals like Nestle.</p> <p>Situation - Choice of strategy depends very much on the economic climate. Cost competitiveness strategies may be more successful as the market becomes more sensitive to rising prices due to a shortage of cocoa or as real incomes fall given lower than inflation pay increases</p>	<p>(20)</p>
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Q8.

Question Number	Indicative content	Mark
	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Indicative content for option 1</p> <ul style="list-style-type: none">• The suggestion is that Europe and North America are saturated for businesses such as Facebook, prompting them to look at developing markets• Developing markets will be at the introduction/growth stage of the product life cycle and so provide opportunities for Facebook to sell mobile marketing products/services• Selling to developing markets helps to extend the product lifecycle of a concept or marketing products• In developing markets, such as India, Facebook will face less domestic competition than in saturated developed markets, so there is greater scope to expand sales• Ansoff's Matrix suggests that market development is more risky than market penetration as the business does not fully understand the new market.	



Indicative content for option 2

- Developing existing markets would mean selling more of Facebook's existing products to existing customers (market penetration)
- It could also mean product development – still focus on developed markets, but look to sell new products to customers within these
- According to Ansoff's Matrix market penetration is the least risky option for a business because both variables (market and product are known)
- Developing markets demand for Facebook mobile has been restricted by the reliability and access to smart-phones
- Facebook has a large market share in developed markets and should be able to exploit this in selling new content to existing customers

Potential judgement:

- That Facebook develops existing markets. In a market such as India, there is still likely to be domestic businesses selling mobile marketing content and this might be better tailored to Indian tastes and preferences, so it might be safer for Facebook to develop existing markets.
- That Facebook targets emerging markets as they may gain a first-mover advantage over competitors such as Twitter.
- They can exploit the adaptations in technology, such as the advertising call-back to attract new customers to their new content.

(20)



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Q9.

Question Number	Indicative content	Mark
	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Indicative content for option 1</p> <ul style="list-style-type: none">• Costs of production include raw materials, set up costs and running costs for machinery, as well as average wages for workers will generally be lower in Asia• For a mass market business such as Adidas costs of production are a large proportion of the businesses overall costs and therefore have a big impact on profits• Competitors such as Nike manufacture in Asia and therefore enjoy the cost advantages this can bring• The six week shipping time from Asia to European markets is too long if Adidas are to respond quickly to changing fashion tastes• There may be more ethical issues with relying on cheaper labour in Asia and this may damage the brand of Adidas <p>Indicative content for option 2</p> <ul style="list-style-type: none">• The skills and availability of staff can also be a big consideration. In Adidas' case the skills of designers and creative staff will be important in the product design – these are more located in Europe• Being in Europe helps development of their NEO fashion brand which has already cut development times to 45 days• Location within a trade bloc such as the European Union will be important as it will affect where the products can be sold to and the degree to which tariffs and quotas are imposed on the products.• The cost advantages of manufacturing in Asia might be diminishing, so moving close to European markets becomes more attractive	



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	<p><i>Potential recommendations</i></p> <ul style="list-style-type: none">• Asia as this will be more appropriate for Adidas because it will allow them to reduce their costs of production, such as labour, materials and energy costs, helping them compete with competitors such as H&M.• Europe as this will be more appropriate for Adidas because it allows them to be closer to their main consumer markets. This will also reduce shipping times and will enable Adidas to react more quickly to more fast-moving fashion trends such as those sold by H&M.	(20)
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Q10.

Question Number	Indicative content	Mark
	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Decision for adopting a polycentric approach</p> <ul style="list-style-type: none">• Polycentric approaches consider each host country to be unique. Businesses adapt their marketing mix to these individual markets to maximise sales• Taco Bell has adapted to local tastes by including Brazilian drinks such as maté on the menu. This is aimed at encouraging Brazilian consumers to try their restaurant by providing something familiar to their tastes• As well as product, Taco Bell could adapt other aspects of the marketing mix, such as place. This might involve focusing on city centre locations, rather than at the side of major roads as Taco Bell do in the USA. Brazil is an urbanised, developing country and being convenient to customers could help to maximise sales• This approach is often expensive because extensive market research may need to be undertaken in order to identify specific consumer tastes rather than transferring the model from what Taco Bell do in the US	



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	<p>Decision for taking an ethnocentric approach</p> <ul style="list-style-type: none">• This approach is where a business such as Taco Bell approaches the world primarily from the perspective of its own culture. Products and marketing are not adapted• Taco Bell decided to sell the same Tex-Mex dishes, such as 'Crunchwrap Supreme' and the 'XXL Grilled Stuft Burrito,' which are sold in their US outlets. If these have been a success in the USA, then Taco Bell may judge that they are likely to be a success in Brazil.• In a 'crowded' market like Brazil, Taco Bell could differentiate itself from competitors such as McDonald's, which sell very different products• The ethnocentric approach could also be more profitable, more quickly as there may be less need to design new flavours and adapt production methods to provide these• Taco's could have lower fat and salt content than other fast food, meaning that they are more likely to comply with Brazil's laws on fast food <p><i>Potential judgement:</i></p> <ul style="list-style-type: none">• Polycentric models have worked well for businesses such	
	<p>as McDonald's, and because Taco Bell want to expand it could be beneficial to adapt products at least, to reflect local tastes. This may help to maximise sales, rather than put off potential customers unsure about the Tex-Mex products</p> <ul style="list-style-type: none">• Tex-Mex is Taco Bell's USP and should therefore be the central feature of their marketing in Brazil. There is no need to adapt the US model, because customers may want to purchase something different to what is currently available in Brazil.	<p>(20)</p>



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Market	The fast-food market in Brazil is crowded with other brands, such as McDonald's, so Taco Bell should take an ethnocentric approach in order to differentiate themselves.
Objectives	Taco Bell want to grow in Brazil, and this is more easily achieved by being ethnocentric. The business will sell familiar products, marketed in a familiar way, which can allow more finance for expansion
Products/ services	Tex-Mex may be too unfamiliar for the Brazilian market, and therefore a polycentric approach may be more suitable. If larger competitors such as McDonald's use it, then it may be an approach worth copying
Situation	Taco Bell has only just entered the Brazilian market. They are considering expanding through franchising, so it may be appropriate to take an ethnocentric approach to ensure consistency with brand image across the new franchises.



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Level 2	5-8	<p>Elements of knowledge and understanding, which are applied to the business example.</p> <p>Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/effect(s) are incomplete.</p> <p>Attempts to address the question.</p> <p>A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.</p>
Level 3	9-14	<p>Accurate knowledge and understanding, supported by relevant and effective use of the business behaviour/context.</p> <p>Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question.</p> <p>Arguments are well developed.</p> <p>Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.</p>
Level 4	15-20	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s).</p> <p>Arguments are fully developed.</p> <p>Quantitative and qualitative information is/are used well to support judgements.</p> <p>A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendation(s).</p>



Q11.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Decision for adapting its products to India</p> <ul style="list-style-type: none">• India is the second biggest country in the world by population and therefore home to a diverse range of language groups, customs and tastes. By adapting its service to local needs, such as by recruiting staff that speak each local language fluently, they will reach a wide market and compete effectively with Ola and other Indian businesses.• Uber has been involved in disputes in some developed markets such as the US. Adapting their service to the specific features of Indian cities, such as using appropriate pricing strategies, which are likely to attract customers• The ridesharing market around the world does not differ between markets. Therefore, Uber can continue to use the strategies that they have used in the US and UK to grow, including adaptive pricing and up to date customer interaction through an app.• Ola has already gained success from adapting by accepting cash, employing drivers that speak different languages and offering auto rickshaw journeys. Uber may need to differentiate themselves in other ways, such as being the most reliable, to differentiate their service in India.	



Decision for focusing on improving its business ethics

- Business ethics are the moral principles that may or may not be used as a basis for decision-making.
- Uber has faced criticisms for its treatment of staff and customers in some markets. Getting this aspect right, could help to differentiate itself from India competitors such as Ola, who may have lower ethical standards.
- Customers who use ridesharing will want to be confident of the safety of the service they are using. This means that drivers are well-rested and paid fairly, rather than simply completing as many jobs as possible.
- Offering good pay to Uber's drivers in India will allow them to choose from a better calibre of employee and should help to improve the quality of the service. Uber can benefit from more productive drivers, that make fewer mistakes and therefore offer a better service to Indian customers.
- Being ethical may lead to lower costs than adapting its strategy to the Indian market. Indian labour standards and rights may be lower than other markets, so the costs of compliance may be lower too.
- India may have lower labour standards than Uber's other markets, so this may not be a big issue. Customers may be more concerned with the service being cheap and reliable, as the customers themselves may have limited disposable income or work in areas with questionable business ethics.



Potential judgement:

- The primary concern of customers in the Indian ridesharing market is likely to be a cheap and reliable ridesharing, so adapting the service is likely to be the most successful. This adaptation could be in terms of making the app and service as reliable and accessible as possible, perhaps by designing an app that works on a less reliable phone network infrastructure. Matching Ola by offering drivers who speak local languages and accepting cash payments may be a good place to begin.
- Ethics affects the perception of customers and in a competitive market, Uber might lose more customers to Ola if it does not improve its ethical position. It might also be that as a 'Western' brand, it can use an ethical stance as a way of differentiating itself from Ola, whose ethical standards may be lower. Ridesharing is more environmentally friendly than car ownership, for example, so a focus on this may help to attract customers with environmental concerns.



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Level 4	15–20	<p>Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context.</p> <p>Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s).</p> <p>Arguments are fully developed.</p> <p>Quantitative and qualitative information are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.</p>
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Market	The Indian market is still potentially massive due to its population, and as a result, very diverse. Adapting the Uber service to the different income levels of Indian consumers might therefore be seen as more important.
Objectives	If Uber want to increase market share in India, adapting to the needs of Indian consumers, such as different language groups could be a way of attracting new customers quickly.
Products/ services	Ridesharing is a service that requires a high degree of trust between the customer and the driver. Therefore, improving its business ethics may help to attract new customers in the Indian market, who want to feel safe when paying for a ride.
Situation	Uber is a business operating in a range of different markets. Therefore, they are likely to have experience in adapting their service to the specific market and can bring this experience to India. Most of the ethical questions raised about Uber's approach were in the US and may be less applicable in India.



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Q12.

Question Number	Indicative content	Mark
	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6 Marks for application and analysis – include up to 4 marks for quantitative skills</p> <p>Quantitative skills assessed: QS2: calculate, use and understand percentages and percentage changes QS8: use and interpret quantitative and non-quantitative information in order to make decisions QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Indicative content (quantitative skills)</p> <ul style="list-style-type: none">• Potential for greater revenues and profits (total UK sales are expected to reach £1bn) (QS8)• Overseas markets appear to be growing faster than the UK; data shows China is growing at a faster rate than India (China's GDP per capita has grown by 62% whilst India's has risen by only 31% between 2009 and 2012). (QS2)• UK market is growing by only 0.1%. Although in the domestic market growth is slowest (hasn't exceeded 2% between 2009 and 2012), the UK still has the richest consumers (GDP per capita is over six times greater than that of China) and the price of the product will be more affordable. (QS9)• Some foreign markets are growing at different speeds and may look more favourable than the UK (China 7.8%, India 3.2%), however the impact of this change is dependent on the size of the GDP. (QS2, QS9)	



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Question Number	Indicative content	Mark
	<p>Indicative content</p> <ul style="list-style-type: none">• Demand for some types of crisp could be income elastic.• Potential for UK crisp manufacturers to expand releasing larger economies of scale.• As incomes rise demand may become less price elastic. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• More data is required to fully assess the impact on manufacturers, e.g GDP/population/exchange rates.• Benefits of economic growth could depend on the type of crisps produced.• Benefits of growth will depend on which country the manufacturer targets.	<p>(20)</p>



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Level 3	9-14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. Quantitative and qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
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Q13.

Question Number	Indicative content	Mark
	<p data-bbox="395 528 1257 562">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p data-bbox="344 607 539 640">Decision for</p> <ul data-bbox="395 647 1302 1720" style="list-style-type: none"><li data-bbox="395 647 1302 757">• Foreign owned multinationals such as Pfizer bring skills and new technology to an economy, which are not always present in a host economy such as Ireland<li data-bbox="395 763 1302 873">• These gains can spill-over to local businesses in Ireland in the form of technological transfer, making them more innovative and productive<li data-bbox="395 880 1302 1079">• Dublin pharmacies could also benefit from increased competition amongst drug manufacturers which could increase choice and reduce prices for healthcare products in Ireland and in the EU, which would also benefit the Irish consumer<li data-bbox="395 1086 1302 1285">• The Multinationals currently located in Ireland are from a range of sectors including IT and building. Allowing a pharmaceutical business to locate there will help broaden the employment base of the economy and reduce dependence a small number of sectors<li data-bbox="395 1292 1302 1402">• Businesses in the Cork area supply chain will also benefit from the increased need for supplies for the Pfizer / Allergan business by increasing sales<li data-bbox="395 1408 1302 1563">• As Pfizer / Allergan may recruit more skilled staff, which may increase the average wage in the Irish economy or at least the local economy. This could lead to increased local spending / an increase in Ireland's GDP<li data-bbox="395 1570 1302 1720">• The Irish government could gain from increased corporation tax revenue as the new company declares profits there, as well as VAT and other revenues from increased consumer spending.	



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	<p>Decision against</p> <ul style="list-style-type: none">• Irish businesses may not be able to compete in paying higher wages, so they lose out on recruiting the most able scientists and staff in the healthcare sector• Following this, there may be a skills shortage in the Irish economy for employees in the healthcare sector elsewhere as Pfizer / Allergan increases its recruitment• Pfizer is still a majority US-owned company and it may send profits from the business back to shareholders registered abroad, so the economy of Ireland does not benefit from investment and spending in the long-run• The Irish economy is already dominated by multinational businesses, such as Microsoft, so another one will increase its vulnerability to MNCs choosing to relocate and leave Ireland at short-notice, without Irish businesses to replace them• The expertise and growth of the Irish economy is mainly in IT services, not healthcare / pharmaceuticals, so there may not be sufficient expertise for Irish workers to benefit from the relocation of Pfizer's operations.	
	<p><i>Potential judgements</i></p> <ul style="list-style-type: none">• The Irish government should have supported this decision for Pfizer to locate in Ireland because of the gains in corporation tax revenue and potential for increased employment. The increased tax revenue could be spent elsewhere in the Irish economy to support local firms, develop new areas of specialisation and support education and training. The local supply chain will also benefit from new demand which supports employment and spending in the economy• The Irish government should have opposed the decision as it is already overly dependent on multinational businesses in its economy. This makes them vulnerable to sudden decisions about relocation which can damage Irish workers and consumers. It seems clear that Pfizer's decision has been based on reducing its tax bill, with less consideration for Allergan and Ireland. This means it is very likely to leave Ireland (for countries such as Hungary which has a 10% tax rate) as quickly as it arrived, damaging consumers and Irish businesses hugely.	<p>(20)</p>



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Q14.

Question Number	Indicative content	Mark
	<p data-bbox="395 533 1257 568" style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p data-bbox="312 613 1078 649">Decision for focussing on global niche markets</p> <ul data-bbox="357 658 1334 1462" style="list-style-type: none"><li data-bbox="357 658 1334 808">• A global niche market is a specialist segment of a global market for a good or service. The marketing mix is adjusted in order to meet this local need – in Haier’s case this is through design of the product.<li data-bbox="357 817 1334 1014">• Haier have a history of successfully selling to global niches, such as small, low energy washing machines for the Chinese markets, and this focus has provided the foundation for their global growth into other white good markets such as mini-refrigerators<li data-bbox="357 1023 1334 1137">• Haier’s focus on customer service and market research allows them to identify further global niches, such as over-sized washing machines for the Pakistani market.<li data-bbox="357 1146 1334 1261">• Focussing on global market niches is likely to lead to higher profit margins per sale for Haier as customers are more willing to pay a higher price in order to satisfy their particular needs<li data-bbox="357 1270 1334 1462">• Focussing on global niches provides Haier with a clear point of differentiation from competitors such as Bosch and Whirlpool – this could lead to improved brand reputation and boost future sales for new products such as the Tianzun air-conditioning unit	



Decision for focussing on global mass markets

- The global mass market for white goods is much larger than global niches and as such provides an increased chance of sales. This might be particularly the case as markets such as India expand and customers have the income and desire to purchase domestic appliances.
- Global niches are more limited in their potential sales and, although the margin per sale is likely to be higher, the possible sales volume overall is likely to be lower, limiting Haier's profitability in the long-term
- Selling to global niches demands good understanding of local specialist needs – this may require detailed market research and an understanding of specific values and local needs, adding to costs and potentially reducing the higher margins of a niche market.
- As a China-based business, Haier can exploit a production cost advantage over European or American based brands such as Whirlpool and Bosch. This should make mass market supply



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at competitive prices possible for Haier.

Potential judgement:

- Global market niches help a business such as Haier establish itself globally, without directly competing with existing multinationals such as Bosch and Whirlpool which have loyal customers and established brands. However, global market niches, by their very nature are limited in size and in the long-term may not provide the opportunities for growth that Haier is looking for.
- The Tianzun air-conditioner proves that global market niches may continue to evolve in the white goods market and as technological advances continue, satisfying these needs through product innovation could still be as financially rewarding in the future, as it has been in Haier's recent past.
- Overall the judgement depends on the strength and adaptability of the Haier brand. If it can adapt this successful niche brand to the highly competitive mass market and capitalise on low costs in China, this may be the way forward. However, if customers see Haier as a successful niche supplier only, expanding into the mass market may prove unsuccessful as customers no longer buy niche products and do not trust the Haier brand in the competitive global market for white goods.



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	<p style="text-align: center;"><u>Example of possible 'MOPS' recommendations</u></p> <p>Market - Global niche markets typically have loyal consumers and established brands so this might support market penetration. However, global niche markets are limited in their size so in the longer term may not provide the opportunities for significant growth.</p> <p>Objectives - Global expansion implies growth in sales and revenue to provide profits for investment. Mass markets given more income streams</p> <p>Product - As technologies advance in the white goods market, it may be that a global niche market is the most appropriate way given that research and development costs may otherwise not be recouped from mass market sales so quickly (e.g. Tiazun air conditioner)</p> <p>Situation - Haier could adapt the niche brand to the highly competitive mass market and capitalise on low costs in China, assuming customers do not see Haier as a successful niche supplier only.</p>	(20)
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Q15.

Question Number	Indicative content	Mark
	<p data-bbox="424 535 1214 571">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <ul data-bbox="357 618 1299 696" style="list-style-type: none"><li data-bbox="357 618 1299 696">• An extension strategy is aimed at preventing the decline stage of a product/service's sales in the medium-to-long term <p data-bbox="308 741 437 777">Option 1</p> <ul data-bbox="357 786 1315 1402" style="list-style-type: none"><li data-bbox="357 786 1315 904">• Spotify's development of new video experiences may add further customers to their service, as sales of pure streaming reaches the maturity phase<li data-bbox="357 913 1315 1070">• Early adopters for Virtual Reality experiences may have different consumer characteristics, such as higher disposable income and lower price elasticities therefore they are prepared to pay the higher price<li data-bbox="357 1079 1315 1236">• Users in the US and Europe are likely to have better access to technology which may give Spotify more opportunity to add value by linking music streaming to video watching and other experiences<li data-bbox="357 1245 1315 1402">• As an established brand (since 2008), Spotify can focus on its core market and build users, while competitors such as Apple look to create new content. This can reduce costs for Spotify and improve profit margins.	



Option 2

- New markets may provide more sales growth than could be achieved in established markets where competition from well-known brands such as Amazon and Google is significant
- Only 14% of world digital music revenue comes from Asia, so there is a large number of potential customers that could be attracted to Spotify's existing streaming services
- Mobile network providers are including music streaming services with their price plans, so this provides an opportunity for Spotify to be introduced to a large number of new customers
- However, potential copyright infringements and the price sensitivity of Asian consumers, who have lower disposable income levels, may make increase subscription more difficult for Spotify to achieve

Potential judgement:

- Focusing on existing markets is the least-risky strategy because the Spotify brand is well-known and trusted for new products that might be developed in the future, such as immersive video content
- The rapid growth of new markets such as those in Asia provides a bigger opportunity, this is an example of market development in Ansoff's matrix and suggests despite the higher risk, side-stepping competitors such as Apple and Google who may not be targeting these markets at this time



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Market	The market is growing most quickly in the Asian markets, so this provides the best opportunity for Spotify to expand without the need to change its current approach that has worked in Europe.
Objectives	If is growth, then Asia might be the best focus, however, if profit maximisation is more important, then devising more high margin products for Europe/North America might be the best option.
Products/ services	It is unclear that new technology such as immersive videos will be profitable, so extending the existing business model to Asia might be the least risky approach.
Situation	The imminent stock market flotation might lead Spotify to be more cautious in their growth strategy. Perhaps focusing on one or two countries in the Asia market might help growth that attracts investors.

(20)



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