

# 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 D**

### **Vi-Spring focuses on growth**

Vi-Spring manufactures beds and mattresses. It has a global reputation for high-quality manufacture and one of its models, The Monarch, is the sixth most expensive bed in the world, selling at £80 000 in niche markets.

Vi-Spring beds are produced using the finest materials including British Shetland wool. Each bed contains several thousand springs and the stitching is completed by a skilled and motivated craftsman, with the cotton fabric being woven with silk and gold. Nearly all of the raw materials used to produce the bed are sourced within the United Kingdom, and this helps Vi-Spring to maintain its strong branding and high levels of market orientation.

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The Monarch has many famous owners including David Beckham. Vi-Spring's market focus has been in the USA and the UK. It has now started to sell an increasing number of beds to customers in countries with high economic growth rates, such as China and India.

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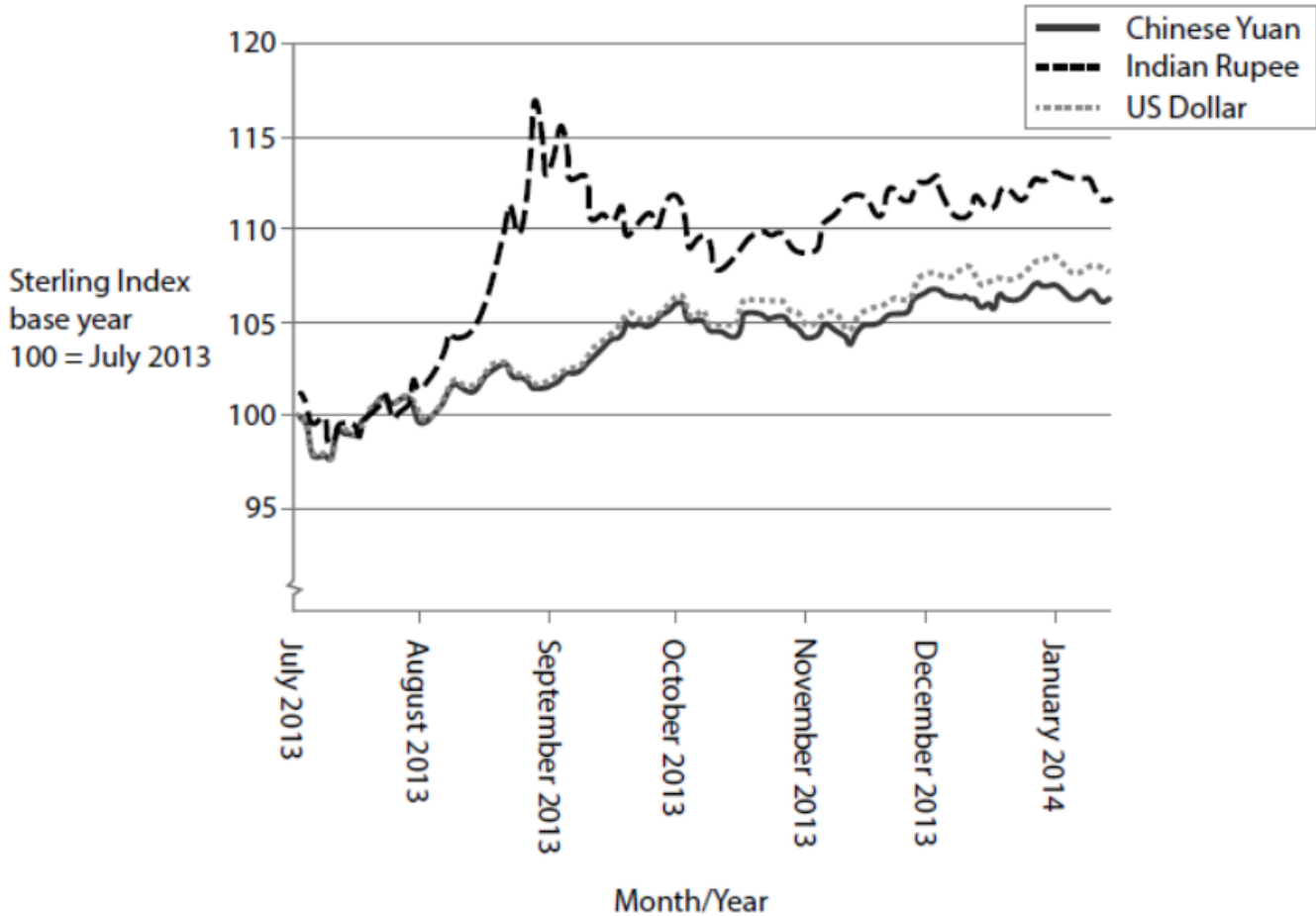
(Source: OVI-SPRING Ltd)

## **Extract F**

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



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(Source: ©Ratesfx.com)

Using the data in Extract F, evaluate the likely impact of the changing value of the pound (£) on an export business such as Vi-Spring.

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Q2.

Assess **two** likely impacts the 'weaknesses in global markets' may have on the UK car manufacturing industry.  
(Extract A, line 9)

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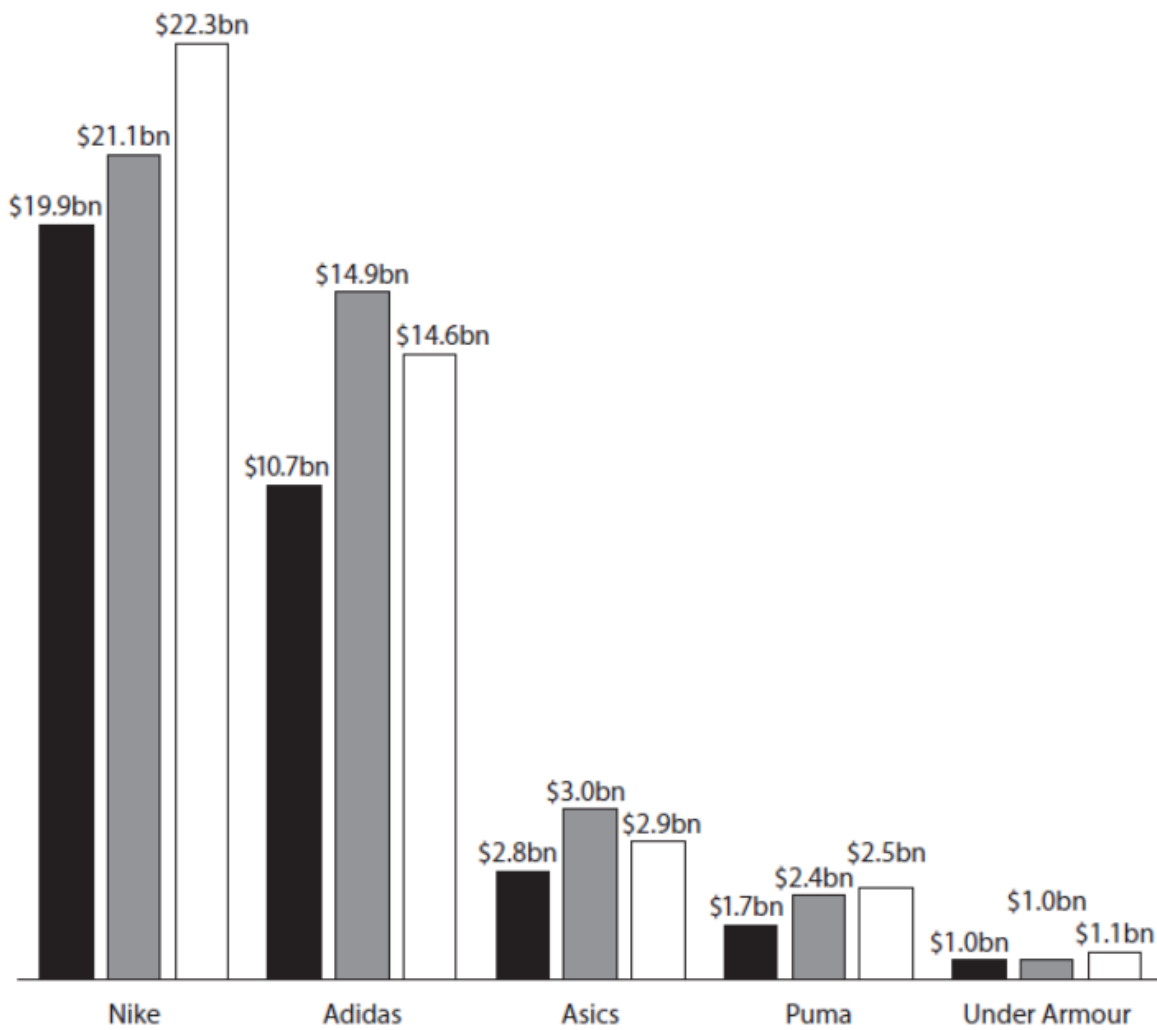


Q3.

Extract D

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

Key



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](https://infographic.statista.com/normal/chartoftheday_13470_athletic_footwear_sales_n.jpg))

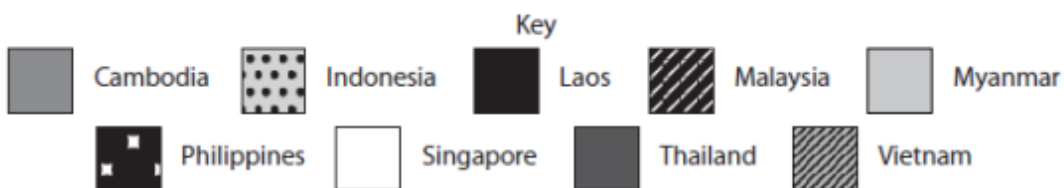
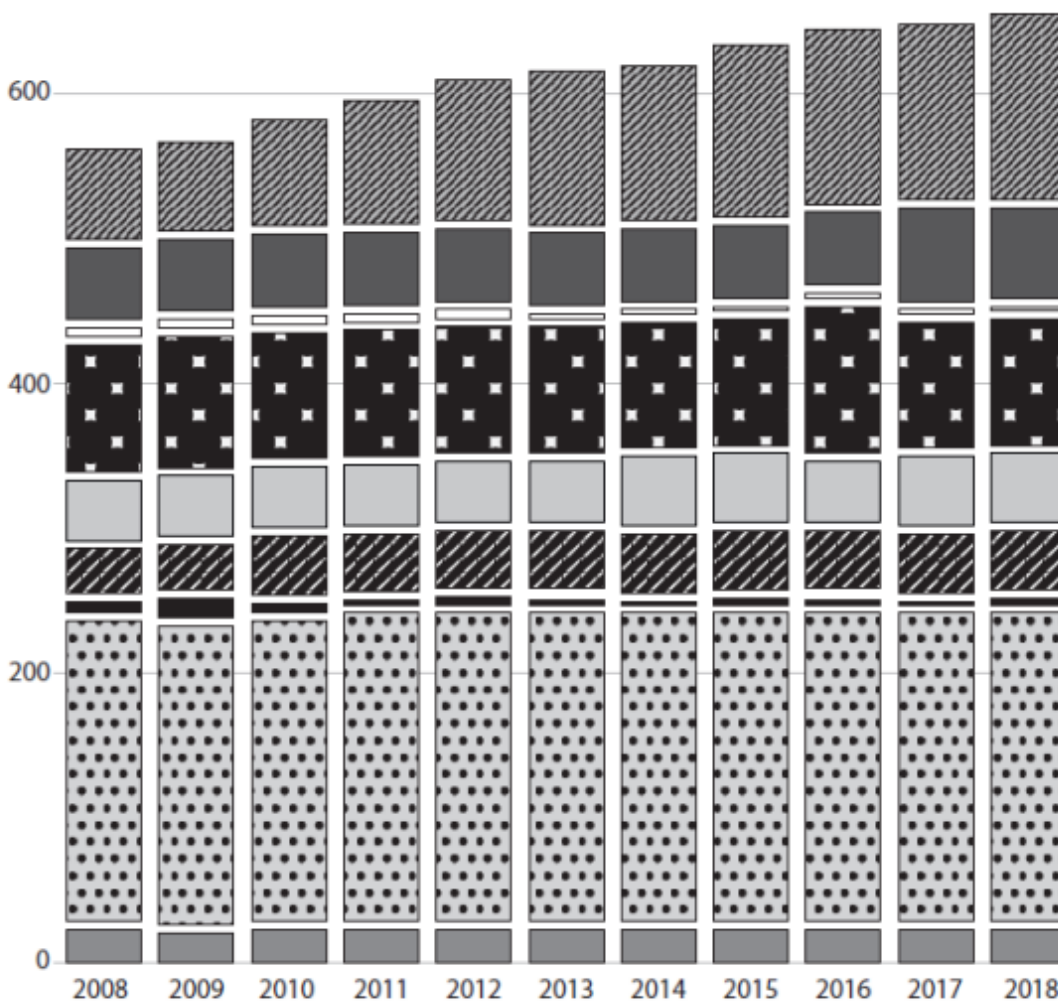


Extract E

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

Inhabitants in millions

800



(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.

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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.

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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>)

Explain **one** way foreign direct investment (FDI) affects businesses in Indonesia.

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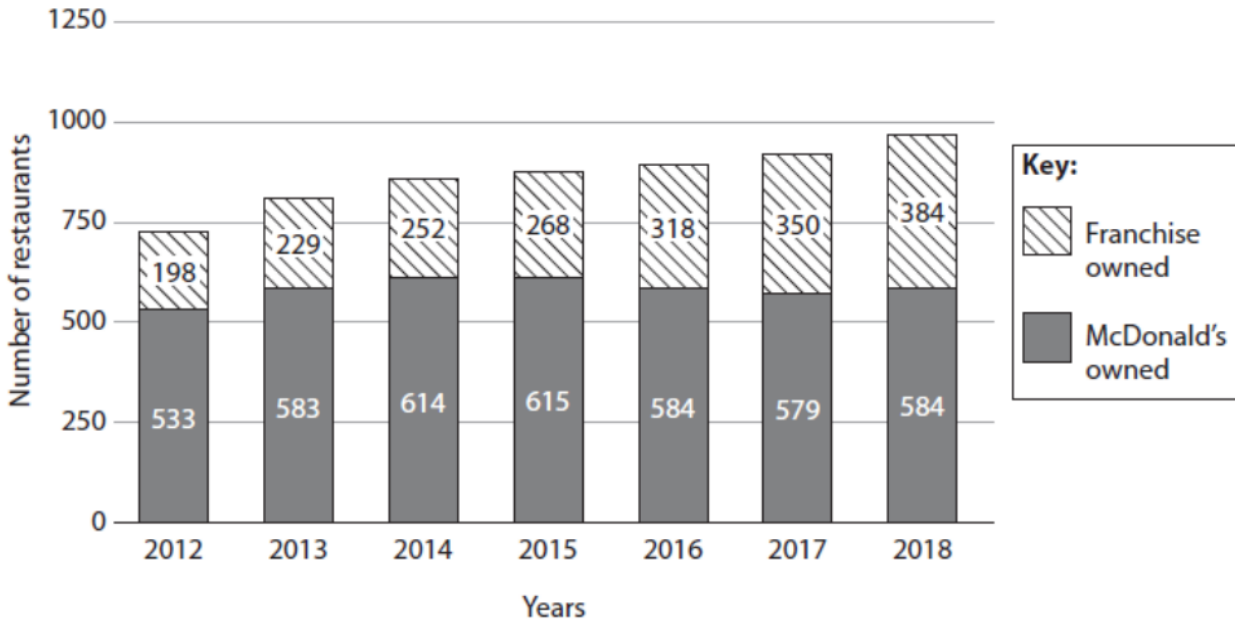




Q4.

**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>)

Explain how **one** of Ansoff's generic strategies might be applied to Taco Bell's decision to enter the Brazilian market.

(4)



**Q5.**

**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.

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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.

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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.

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(Source: adapted from © Ebac.com)

Explain how Ebac Ltd could benefit from exporting its products.

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**EXAM PAPERS PRACTICE**

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**(Total for question = 4 marks)**

**Q6.**

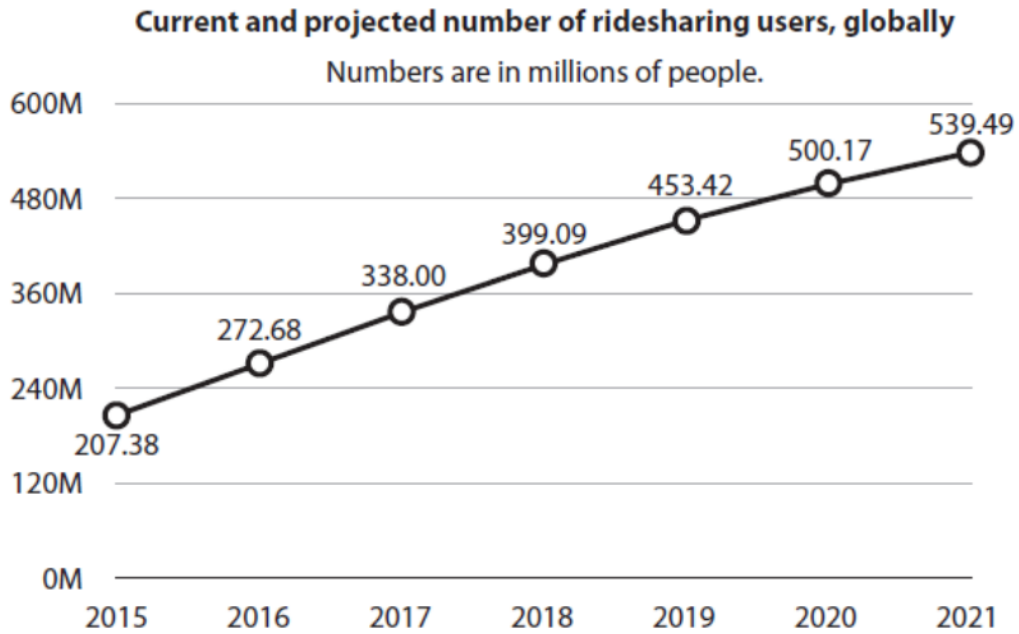
**Estimates of price elasticity of demand (PED) of car brands**

<b>Brand</b>	<b>PED</b>
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."

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

Explain one way the Indian government might use legislation to protect the Indian ridesharing market from non-Indian businesses.

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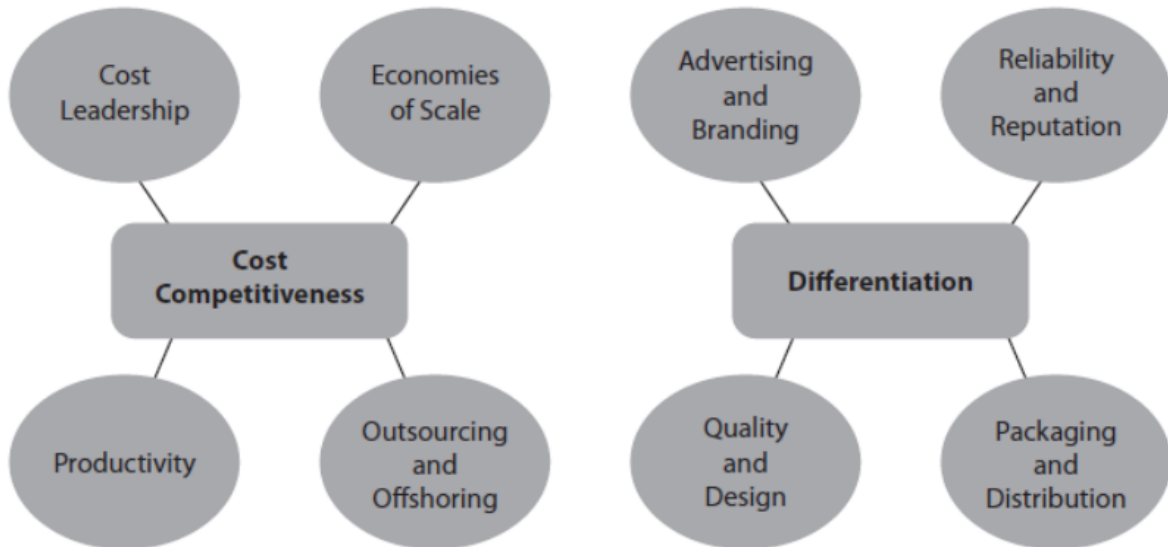
**(Total for question = 4 marks)**



Q7.

Extract H

Competitive advantage



(Source: adapted from [http://www.economicsonline.co.uk/Global\\_economics/Competitiveness.html](http://www.economicsonline.co.uk/Global_economics/Competitiveness.html))

Cost competitiveness and product differentiation are two key strategies to achieve global competitive advantage.

Evaluate these **two** strategies and recommend which one would be better to achieve a global competitive advantage for a business, such as Cadbury.

**(Total for question = 20 marks)**



**Q8.**

Facebook's markets in developed economies are 'saturated' (Extract A). Two options could be to target emerging economies or to develop existing markets.

Evaluate these **two** options and recommend which one is most suitable for Facebook.

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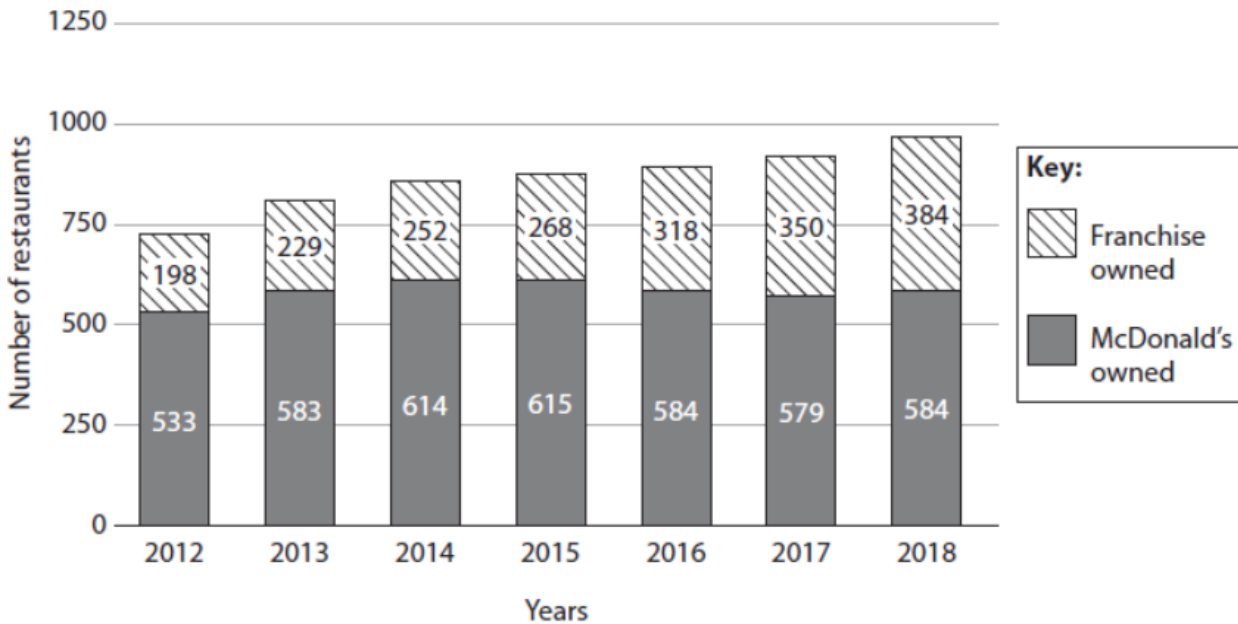




Q10.

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## EXAM PAPERS PRACTICE

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Taco Bell entered the Brazilian market in 2018, with limited success. To increase sales, Taco Bell could either adopt a polycentric, or an ethnocentric approach to marketing.

Evaluate these two options and recommend which one is most suitable for Taco Bell to increase its sales in Brazil.

**(20)**

**(Total for question = 20 marks)**





Q11.

**Extract D**

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

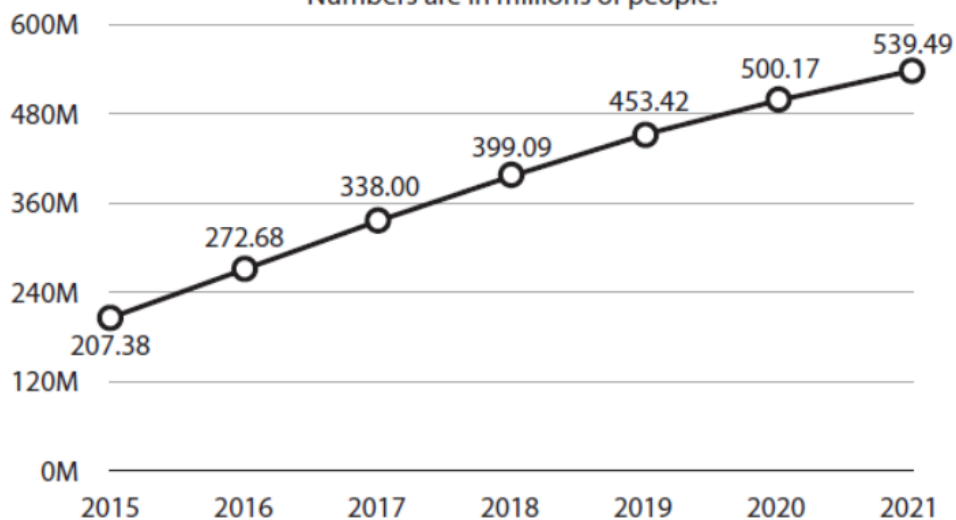
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(Source: adapted from <https://repository.library.northeastern.edu/files/neu:349589/fulltext.pdf>)

**Extract E**

**Current and projected number of ridesharing users, globally**

Numbers are in millions of people.



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**

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(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>)

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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>)

Uber aims to become the market leader in Indian ridesharing. To achieve this Uber could either focus on adapting its service to the needs of Indian consumers or improve its business ethics.

Evaluate these **two** options and recommend which one Uber should choose to become market leader.

(20)

**(Total for question = 20 marks)**



Q12.

**Percentage change in GDP**

	2009	2010	2011	2012
<b>China</b>	9.2%	10.4%	9.3%	7.8%
<b>India</b>	8.5%	10.5%	6.3%	3.2%
<b>United Kingdom</b>	-5.2%	1.7%	1.1%	0.1%

**GDP per capita in US\$**

	2009	2010	2011	2012
<b>China</b>	3 749	4 433	5 447	6 093
<b>India</b>	1 147	1 417	1 540	1 503
<b>United Kingdom</b>	35 455	36 573	38 927	38 649

(Source: <http://data.worldbank.org/indicator/NY.GDPMKTR.KD.ZG>)

Using the data, evaluate the likely impact of economic growth on UK-based crisp manufacturers.

(20)

Q13.

**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.

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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.

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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>)

## Extract G

### Multinationals and the economy of Ireland

In 2015, Microsoft was Ireland's largest business, with a turnover of €19.8bn, and became one of the seven multinationals in the top ten largest businesses in Ireland. Just three Irish companies made it into the top ten, with CRH (building materials) in second place and Irish energy company DCC taking fifth place. Google took third place, with other IT businesses Dell and Oracle also in the top 10. Facebook climbed nine places to 28th.

5

The role of multinationals is a hotly debated topic, not only in Ireland but internationally too.

Foreign multinationals bring with them knowledge and technology; there are also gains from the increased competition generated by incoming firms. However, evidence of direct effects in Ireland is mixed. There are positive impacts from multinationals in sectors such as software and pharmaceuticals. Some evidence of a positive relationship between Foreign Direct Investment (FDI) and increased exports and productivity also exists.

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Multinationals have had an impact on the labour market of Ireland, including on the average wage of the workers in the Irish economy. A high demand for high-skilled labour may lead to skill shortages, most notably in the IT sector.

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(Sources: adapted from <http://www.independent.ie/opinion/columnists/dan-obrien/we-should-eke-more-entrepreneurs-out-of-multinationals-31579675.html>  
<http://businessetc.thejournal.ie/irelands-biggest-companies-2116085-May2015/>)

The government of Ireland supports the location of multinationals, such as Pfizer, in their country if this benefits the local and national economy overall.

Evaluate the likely impacts on the Irish economy of Pfizer locating there and recommend if the Irish government should have supported this decision or not.

(20)



**EXAM PAPERS PRACTICE**

Ruled area for writing answers, consisting of multiple horizontal dotted lines.

**(Total for question = 20 marks)**



Q14.

**Extract G**

**The Haier road to growth**

The Tianzun is an air conditioner with a wind tunnel that draws air through it. Haier's rapid introduction of this product is typical of the China-based company's track record since the late 1990s. Since 2011, it has held the largest worldwide market share in white goods\*.



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Unlike Western consumers, many Chinese people hand-washed their underclothes every day at home. They found it more hygienic and socially discreet to wash underclothes separately from other clothes and not use public washing machines. In response, Haier launched a small, low-energy washing machine that could easily fit into a small, crowded urban apartment.

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In 1997, recognising the needs of college students in dormitory rooms, Haier launched mini-refrigerators in the United States; it followed with wine refrigerators in 2004. Meanwhile, in Pakistan, Haier sold extra-large washing machines designed for heavy robes.

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Haier is a company worth \$38 billion with upmarket brands in China. Haier is growing in the mass markets of the United States, Europe and Japan, which are dominated by multinationals such as Bosch and Whirlpool.

\*'White goods' refers to household appliances such as washing machines, tumble driers, fridge-freezers etc.

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(Source: adapted from © 2017 PwC. All rights reserved)

Haier is aiming to continue its global expansion in the white goods market. It could do this by focusing on either global niche markets or global mass markets for white goods.

Evaluate these **two** options and recommend which approach is most suitable for Haier.

**(Total for question = 20 marks)**

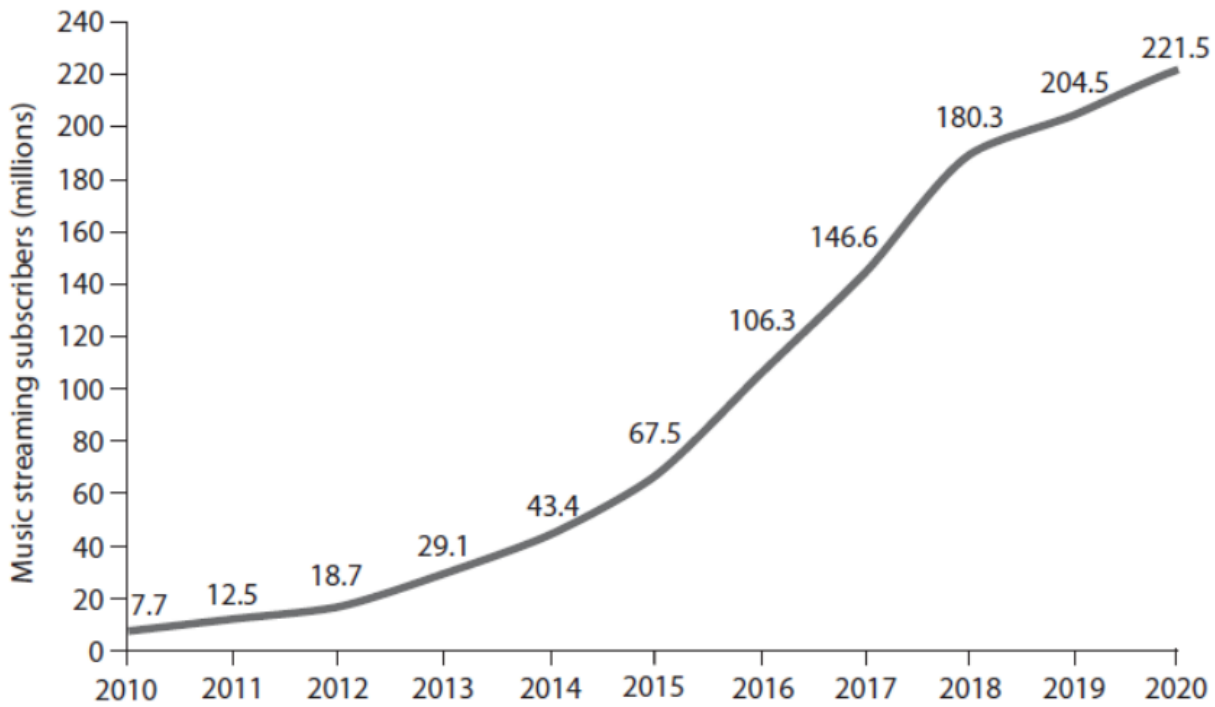




Q15.

Extract A

Music streaming subscribers 2010–2020



Between 2010 and 2011, the number of music streaming subscribers grew by 62.34%.

- The data between 2018–2020 is forecast/projected.

(Source adapted from: © 2018 Midia Ltd)

## Extract B

### The music subscription market in Europe and North America 2017

Habits of music consumers have changed, as they are streaming music now instead of downloading it. Consumers are increasingly listening to music at home, by using Amazon Echo or Google Home, rather than through smartphones or laptops.

Five music subscription services were launched between 2015 and 2017, but none of these made a profit. However, businesses such as Apple, Google and Amazon can afford to operate music services at a loss.

Product development is a feature of the market. Music acts such as Coldplay and Deadmau5 have already embraced virtual reality (VR) with immersive music videos, where viewers can be part of the video.

Spotify, the largest music streaming service by number of users in the US and Europe, was launched in 2008. Its latest strategy is to add short video clips to its playlists. The clips are aimed at tempting listeners to purchase Spotify's new subscription video service. This is crucial because its existing streaming service continues to make losses.

A typical music streaming business pays over 70% of its subscription revenue to record labels and publishers. Video streaming enables Spotify to gain additional revenue from advertising. In 2018, Spotify needed to make profits as it planned to be a public limited company, through a stock market flotation.

Spotify's rival, Apple Music, has taken a different approach to video streaming, signing artists such as U2 for millions of dollars to stream exclusively for its 27 million subscribers.

(Sources based on: © 2018 Billboard and © 2018 Mansueto Ventures, LLC)



**Extract C**

**Music streaming in the Asian market**

Music streaming has been adopted more quickly in the USA and Europe, compared to the Asian market. The Asian market only generates 14% of total world digital music revenues, but is growing. Mobile phone network operators in Asia are including music streaming services as part of their price plans, but some consumers in Asian markets may not be prepared to pay high prices for streaming music.

Copyright infringement can also make operating in some Asian markets difficult. In 2016, one of the three biggest music streaming websites in Vietnam ceased trading.

(Source from: © 2018 Insider Inc.)

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