GradeMax

Write your name here

Surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Business Studies

International Advanced Level
Unit 4: Business in a Global Context

Wednesday 10 June 2015 – Morning
Time: 2 hours

Paper Reference
WBS04/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- You should take care in your responses with your punctuation and grammar, as well as the clarity of expression.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

P45072A

©2015 Pearson Education Ltd.

2/1/1

P 4 5 0 7 2 A 0 1 2 0

PEARSON

SECTION A

Answer ALL questions in this section.

You should spend 60 minutes on this section.

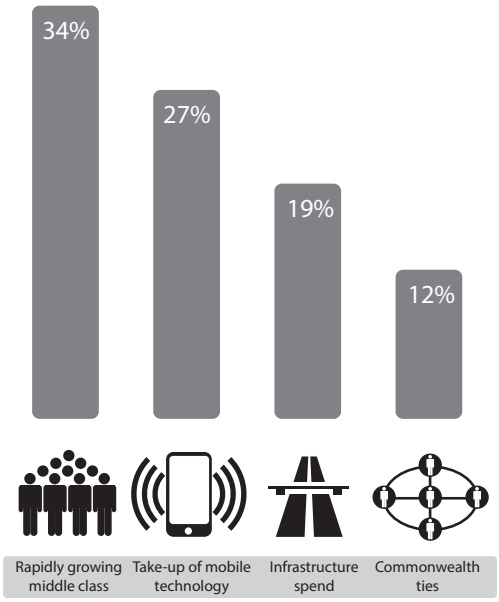
Evidence A

Identifying the right markets: Africa

Africa has the potential to be a market of significant opportunity over the next couple of decades. Factors such as a growing middle class, the evolution of mobile technology and improvements in infrastructure are causing interest in the region to grow. According to our recent survey of retailers 24% believe that Africa will be the retail growth story of the next decade.

The recent takeover by US giant *Walmart* of South African retailer *Massmart* is an example of how established retailers view the continent. While infrastructure is slowly improving, political instability, corruption, ease of doing business and bureaucracy remain a problem. However, the undeveloped and fragmented nature of African retail markets are factors that contribute to increasing interest from retailers considering international expansion.

Factors that represent the biggest opportunity in Africa



UK retailers' views on Africa

Our business lacks the skills, knowledge and expertise to expand into Africa

42%

It is important to have 'first mover advantage' when expanding into Africa

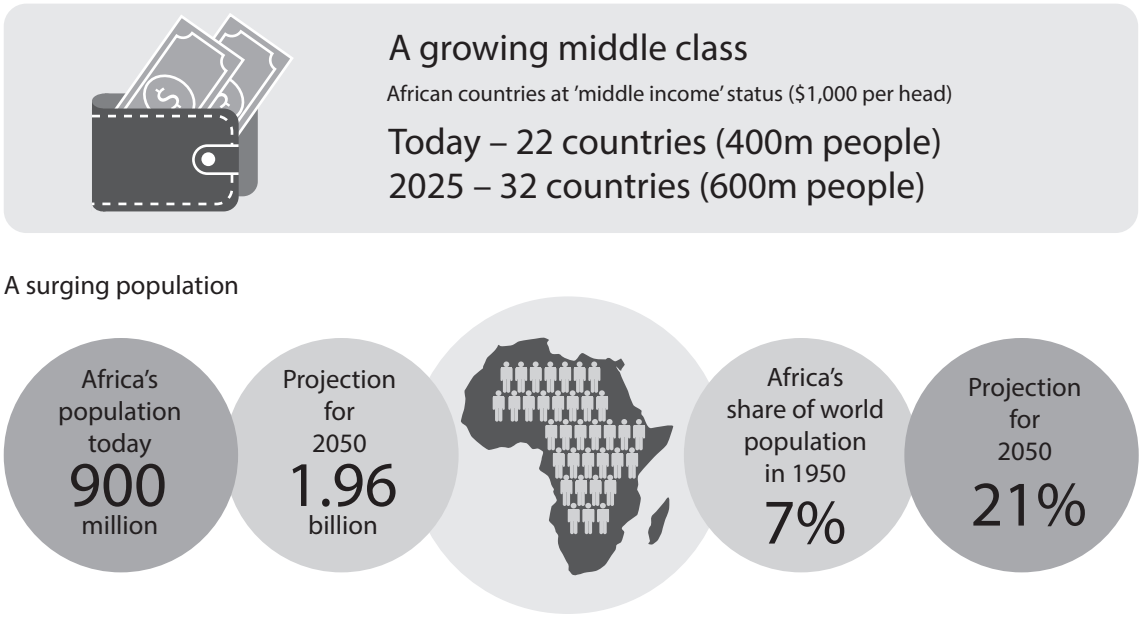
33%

Africa will be the new retail growth story of the next decade

24%

(Source: adapted from http://www.barclayscorporate.com/content/dam/corppublic/corporate/Documents/research/the-global-high-street.pdf)

Evidence B



(Source: adapted from http://www.barclayscorporate.com/content/dam/corppublic/corporate/Documents/research/the-global-high-street.pdf)

Evidence C

The retail industry's next frontier: Africa

A new kind of consumer is emerging across the African continent, and western retailers are taking note and moving in. It is estimated that by 2030, Africa's top 18 cities will have total spending power of $1.3 tn. The International Monetary Fund estimates that GDP growth in Sub-Saharan Africa will hit an average 6.1% next year, far exceeding the expected global average rate of 4%. Africa already has more middle-class households than India.



US giant *Walmart* acquired a 51% stake in South African wholesaler *Massmart* last year; they have plans to open 90 stores across Africa in the next three years. The French retailer *Carrefour* has formed a joint venture with the French distributor *CFAO*, which specialises in African sales and distribution, and plans to open stores in eight African countries by 2015.

Big retailers in developed countries must deal with saturated markets and excessive competition, especially as online shopping gains more and more ground.

However, many African countries lack the necessary physical and legal infrastructure for western retailers. Faulty power grids, complicated land ownership laws and a widespread lack of consumer data present unique challenges to companies used to operating on western soil. It's not uncommon for start-up costs to exceed expectations, and for long delays to reduce the impact on grand openings.

(Source: adapted from http://www.bizcommunity.com/Article/410/352/103045.html & http://newspoint.co.za/story/411/1021-massmart-joins-walmart (illustration))

1 (a) What is meant by the term "takeover"? (Evidence A, line 6)

(2)

(b) What is meant by the term "ease of doing business"? (Evidence A, line 8)

(2)

(Total for Question 1 = 4 marks)

2 Explain **two** reasons why *Carrefour* might have formed a joint venture with *CFAO*.

(Total for Question 2 = 6 marks)

3 Analyse **two** push factors that may cause a business to trade internationally.

(Total for Question 3 = 8 marks)

4 Assess the possible impact on local businesses of *Walmart* and *Carrefour*'s entry into Africa.

(10)

(Total for Question 4 = 10 marks)

5 Assess the importance of the level of disposable income when a retailer considers entering a new market such as Africa.

(12)

(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

BLANK PAGE

SECTION B BEGINS ON THE NEXT PAGE.

SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence D

China Labor Watch and *Samsung*

中国劳工观察
CHINA LABOR WATCH

Founded in 2000, China Labor Watch (CLW) is an independent not-for-profit pressure group. In the past ten years, CLW has collaborated with unions, labour organisations and the media to conduct a series of in-depth assessments of factories in China that produce toys, bikes, shoes, furniture, clothing, and electronics for some of the largest US companies.

From June to December 2015, CLW sent its investigators into ten factories that produce products for *Samsung*, including six factories owned and managed by *Samsung*. Our report discovered 16 sets of violations in these factories, from 220 hours of monthly overtime, to forced overtime, to contract and safety violations. After the investigative report received worldwide media coverage, *Samsung* responded by auditing all 250 of the factories in its Chinese supplier chain. In November, *Samsung* announced a series of specific corrective actions that would take place in 105 suppliers, including the elimination of illegal working hour practices by the end of 2014 and reforming hiring processes in order to prevent child labour.

(Source: adapted from http://www.chinalaborwatch.org/index.html)

Evidence E

Japan's *Uniqlo* adds Detox commitment



The pressure group Greenpeace has a campaign called Detox, designed to stop releases of hazardous chemicals used by the clothing industry. *Uniqlo*, Japan's leading international casual wear brand, joined the Detox campaign in 2013.

This comes just after *Zara*, *Mango*, *Esprit* and *Levi's* announced similar individual commitments, responding to waves of protest from pressure groups and consumers around the world. Competitors in the fashion world, including *GAP*, *G-Star Raw* and *Calvin Klein,* are looking increasingly out of touch now that 12 of the world's top high street fashion brands have committed to Detox.

(Source: adapted from http://www.greenpeace.org/international/en/news/Blogs/makingwaves/japans-uniqlo-adds-detox-commitment-to-spring/blog/43593/)

Evidence F

In China, *Starbucks* balances global image, local needs: stores and products

By 2015 *Starbucks* plans to triple the number of its stores in China. This expansion is ambitious, China's economy is slowing and it is traditionally a tea-loving nation. *Starbucks*' success will depend to a large degree on the question of localisation. It must find the right balance between its successful global image and the realities of local needs.

Starbucks in China is easily recognisable, with its classic décor and logos. *Starbucks* has taken to incorporating certain aspects of Chinese art, culture and geography into the design of it's stores and they have more open spaces.

Local products include moon cakes during the Chinese Mid-Autumn Festival, iced rice dumplings during the Dragon Boat Festival, and Red Bean and Black Sesame Green Tea Frappuccinos year-round. Yet, alongside these are western-style options – croissants, Danish pastries, sausage rolls, and a turkey and cheese sandwich. In short, the company's traditional products are still part of its range in China.

The cafes are best seen as "*Starbucks* with Chinese characteristics" rather than a copy of the American *Starbucks* or a whole new Chinese version of the coffeehouse.

(Source: adapted from http://contextchina.com/2012/12/in-china-starbucks-balances-global-image-local-needs-stores-and-products/)

Evidence G

Our approach is the same in every market: *Harley-Davidson*



Since it launched its Indian operations in 2009, *Harley-Davidson* has sold some 2,000 motorcycles in the country. Slowing economic growth hasn't hurt demand for its products, which cost upwards of 5 lakh Rupees ($US 8 000).

Matthew Levatich (left), president and COO, *Harley-Davidson*, and Anoop Prakash, MD, *Harley-Davidson India*, spoke about their strategy.

"Product development is a significant investment for any company and our strategy is not to develop any market-specific motorcycles. We don't have any in our portfolio today and we don't have any plans to. There is a common theme shared by all *Harley* riders across the world. We stick to that theme because it's very powerful. Our business model approach is the same in every market we are in" said Levatich.

(Source: adapted from http://www.livemint.com/Companies/bO7X4lwJes6glSl0z1zlaP/Our-approach-is-the-same-in-every-market-HarleyDavidson.html)

6 Evaluate the effectiveness of pressure groups in controlling the actions of multinational companies.

(20)

(Total for Question 6 = 20 marks)

7 *Starbucks* and *Harley-Davidson* have different approaches to their global marketing strategies.

Evaluate the benefits for a multinational company of using an ethnocentric approach.

(20)

(Total for Question 7 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

BLANK PAGE