GradeMax

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Surname	Other names

Pearson Edexcel
International
Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Business Studies

International Advanced Level
Unit 4: Business in a Global Context

Tuesday 31 October 2017 - Afternoon
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.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your 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 ▶

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SECTION A

Answer ALL the questions in this section.

You should spend 60 minutes on this section.

Evidence A

***John Lewis* seeks out the super-rich with plans for Dubai outlet as its international expansion increases**



(Source: © Greg Balfour Evans / Alamy Stock Photo)

Upmarket UK retailer *John Lewis* is planning to open an outlet in Dubai in 2017, as it seeks to move in to the prosperous Middle East retail market.

At 15,000 square feet this will be *John Lewis*' biggest international shop-in-shop (an outlet within an existing store) and will open within the *Robinsons* department store in Dubai's Festival City Mall.

This *John Lewis* outlet will sell quality bedroom, bathroom and living room items, as well as own brand furniture, cookware, textiles, glassware and nursery products.

The Dubai store marks the latest step in *John Lewis*' bid to increase its international portfolio. It has announced plans to open another seven outlets in Holland, adding to the three shops already open.

With outlets in the ASEAN (Association of Southeast Asian Nations) trade bloc in Malaysia, Singapore and the Philippines, *John Lewis* currently has 14 international 'shop-in-shops.' It has ruled out expanding by takeover or merger.

(Source: adapted from © This is Money)

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Evidence B

***John Lewis* expands its international strategy**



John Lewis is taking steps to expand further its international coverage, after a year in which online international sales have increased by 50%. At the same time, international visits to its website have increased by 15%.

John Lewis has extended from 33 to 40 the number of countries that it delivers to through its website, johnlewis.com. Now customers can order for delivery to countries including Hong Kong, the Philippines and Malaysia. As well as this, customers can now choose a wide range of currencies when making payments.

The move comes as *John Lewis* has said it will have a physical presence in Australia for the first time, when it opens six shop-in-shops in branches of Australian department store, *Myer*.

(Source: adapted from © SJP Business Media)

Evidence C

Post-Brexit sterling plunge 'will be a big issue' for *John Lewis* next year

Andy Street, the boss of *John Lewis*, has warned that the fall in the value of the pound as a result of the UK vote to leave the European Union could become a major issue for them. *John Lewis* imports about two-thirds of the goods it sells and one third of that is purchased in dollars.

However, Mr Street did say that his major concern was the potential reduction in the growth of consumer spending as the economy looks set to move into recession.

John Lewis is not the only business to have warned of the problems posed by a falling pound. *Sports Direct* said that it will be 'impacted significantly' by the fall in sterling. *EasyJet* and *British Airways* have both issued profit warnings following the vote.

(Source: adapted from © Associated Newspapers Ltd)

Evidence D

***Pinewood* predicts weaker pound will bring Hollywood ending**

Pinewood Studios, the north London film studio (where the James Bond films are made), said the fall in the pound after the EU referendum vote will be good for business. Sterling has lost more than 10% of its value against the dollar in the month following the vote.

Pinewood has mostly US customers who will now find its studios considerably cheaper to book. "The decline in the sterling exchange rate is undoubtedly positive for our international customers," said chief executive Ivan Dunleavy. Last year's profit for the year of £7.8m is expected to increase because of changes in the value of the pound. 5

(Source: adapted from Pinewood predicts weaker pound will bring Hollywood ending By Lucy Tobin © ESI Media 2016)

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1 (a) What is meant by the term takeover? (Evidence A, line 19)

(2)

(b) What is meant by the term profit for the year? (Evidence D, line 7)

(2)

(Total for Question 1 = 4 marks)

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2 Explain **two** difficulties that *John Lewis* might face when entering a new market, such as Dubai.

(Total for Question 2 = 6 marks)

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3 Analyse **two** reasons why a business such as *John Lewis* might want to expand internationally.

(Total for Question 3 = 8 marks)

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4 Assess the benefits to *John Lewis* of expanding by organic growth.

(10)

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(Total for Question 4 = 10 marks)

5 Assess the importance of changes in exchange rates to businesses when trading internationally.

(12)

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(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

GradeMax

SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence E

Shanghai Disneyland Opens, With Details Tailored to Chinese Consumers

Disney's $5.5bn Shanghai theme park, its first in mainland China, opened in June 2016. The resort which took 17 years to build is the largest foreign investment ever made by *Disney*.

It is not merely a case of copying the 'Americanized' style of theme park. Efforts are being made to incorporate Chinese stories, history, symbolism and local customs into the resort.

From the peony flower design on the turret of the park's centerpiece castle, to a Beijing opera interlude in the Mandarin version of the Lion King musical, *Disney* has taken care to incorporate Chinese elements into the resort.

"We didn't build Disneyland in China, we built China's Disneyland," said *Disney* Chief Executive Officer Robert Iger.

Leia Mi, the concept designer for the Shanghai theme park's castle, said that *Disney* conducted thorough market research into Chinese preferences. For example, while other Disneylands have a castle that guests walk through, the Shanghai theme park castle was designed with eating and retail space inside to meet Chinese expectations.

(Source: adapted from @ AdvertisingAge)

Evidence F

UK cosmetics firm *Lush* says mission for slavery-clean supply chain never ending

As British retailer *Lush* expands globally, the head of ethical buying at the handmade cosmetics company says he is facing an almost impossible challenge - ensuring all products are free of slave labour and other human rights abuses.

Simon Constantine, the son of two of *Lush*'s founders, said sales increased 100% and profit increased by almost 50% to £31m ($40m) since 2013. This created the potential for wider social impact by sourcing from more local communities. But he said this growth had also opened a set of new problems for *Lush* - which prides itself on its products being ethically sourced, environmentally friendly and not tested on animals - particularly as it expands in Asia.

Founded on an ethos to do good while doing business and campaigning on social issues, *Lush* vowed in 2014 to stop using mica from India in cosmetics as child labour was found to be common in the mica industry. The company also refuses to use sandalwood from India for similar worker concerns, instead sourcing from Australia. It has drastically reduced its use of palm oil, concerned about deforestation, human rights abuses and slavery in that industry.

(Source: adapted from © 2016 Thomson Reuters Foundation)

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6 Evaluate the benefits of glocalisation for an international business such as *Disney*.

(20)

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7 Evaluate the extent to which ethical considerations might affect a business such as *Lush*.

(20)

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(Total for Question 7 = 20 marks)

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

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