GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Monday 3 June 2019

Afternoon (Time: 2 hours) | Paper Reference **WBS04/01**

Business Studies

International Advanced Level
Unit 4: Business in a Global Context

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 care 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 ▶

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SECTION A

Answer ALL the questions in this section.

You should spend 60 minutes on this section.

Evidence A

Niche markets are the way ahead for Papua New Guinea (PNG) tourism

Papua New Guinea's tourism sector has been told it should focus on niche markets, such as adventure tourism, to encourage growth.

The country's tourism industry is tiny with just 60,000 holiday visitors in the past year. Although the country has large mineral deposits and oil and gas resources, the PNG economy is dominated by agriculture. 80% of the population live in rural areas and are subsistence farmers.

The PNG Tourism Promotion Authority, supported by the International Finance Corporation (IFC), which is part of the World Bank, said new data shows PNG should focus on the areas that make the country unique.

The IFC's Neal Donahue says PNG could emphasise activities like diving or bird watching. "These are not the most common types of tourism. However, the people who want those experiences are willing to travel further distances and they are willing to pay a premium. Papua New Guinea is actually quite well suited to develop these activities."

(Source: adapted from http://www.radionz.co.nz/international/pacific-news/342759/niche-markets-way-ahead-for-png-tourism-ifc)

Evidence B

***Travel Leaders Group* and *ALTOUR* announce merger**

Travel Leaders Group and *ALTOUR* have signed an agreement to merge and form a single travel agency organisation with $23.6bn in annual sales. There will be no major operating changes or name changes to either *Travel Leaders Group* or *ALTOUR*'s businesses or organisations.

About *Travel Leaders Group*

With annual sales of over $21bn, *Travel Leaders Group* caters for business and leisure travellers. It operates franchise travel operations under a variety of specialised divisions and brands that focus on specific market segments such as cruises and tours.

About *ALTOUR*

With sales of $2.6bn in 2016, *ALTOUR* is an independently owned travel company based in the United States, serving luxury niche markets globally.

(Source: adapted from https://www.prnewswire.com/news-releases/travel-leaders-group-and-altour-announce-merger-300495492.html)

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Evidence C

Ease of Doing Business in Papua New Guinea

The Ease of Doing Business Index ranks countries against each other based on how the regulatory environment is favourable to business operation and how well property rights are protected. Economies with a high rank have more user-friendly regulations for businesses.

Papua New Guinea is ranked 109 among 190 economies in the Ease of Doing Business Index, according to the latest World Bank annual ratings. The rank of Papua New Guinea improved to 109 in 2017 from 119 in 2016. It is forecast to further improve to 95 in 2018.

Papua New Guinea GDP per capita

In 2010 the GDP per capita in Papua New Guinea was $2 151. In 2017 it is expected to be $2 701.

(Source: adapted from https://tradingeconomics.com/papua-new-guinea/ease-of-doing-business)

1 (a) What is meant by the term franchise? (Evidence B, line 8)

(2)

(b) What is meant by the term market segment? (Evidence B, line 9)

(2)

(Total for Question 1 = 4 marks)

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2 Explain **two** benefits to a business of operating in a global niche market.

(Total for Question 2 = 6 marks)

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3 Analyse **two** possible reasons why global businesses, such as *Travel Leaders Group* and *ALTOUR,* may merge.

(Total for Question 3 = 8 marks)

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4 Assess how effective GDP per capita is at measuring growth.

(10)

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(Total for Question 4 = 10 marks)

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5 Assess the importance of the Ease of Doing Business when choosing a production location.

(12)

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(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

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SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence D

Diamond producers target Indian market

The Diamond Producers Association (DPA), an international alliance of the world's seven leading diamond mining companies — *ALROSA, De Beers, Dominion Diamond, Gem Diamonds, Lucara Diamond, Petra Diamonds* and *Rio Tinto* — is entering the Indian market to increase sales of diamonds in that country.

The DPA has opened an office in India to promote diamonds by making Indians realise the importance of diamonds in their history. India is where diamonds were first found, used and given as gifts. The DPA is spending $7m in India in 2018 and its 'Real is Rare, Real is a Diamond' campaign will promote a new message about diamonds.

India, with a population of more than 1.25 billion, is a very small market for the diamond trade. It accounts for 7% of global diamond consumption, while the US consumes 47% of all diamonds produced, followed by 16% in China.

(Source: adapted from http://www.thehindu.com/business/Industry/diamond-producers-target-indian-market/article20492721.ece)

Evidence E

€27bn of trade hit by new trade barriers

There were 36 new trade barriers reported in 2016 against EU businesses. This could potentially affect up to €27bn of trade. Data from the European Commission's (EC) latest annual report on trade barriers highlights the extent to which protectionism is affecting European businesses.

A total of six new trade barriers were put in place by Russia, five by India and three by Switzerland.

The barriers introduced by Russia are predicted to have the greatest economic impact and will affect trade flows worth up to €12.26bn. This is followed by the potential impact of the new barriers put in place by Algeria (€3.75bn), China (€3.7bn), Turkey (€2.69bn), India (€2.2bn) and Egypt (€1.72bn).

The report stressed that despite minimal new barriers, China remained among the most trade-restrictive partners of the EU, with businesses facing numerous long-standing barriers in the country. These range from joint venture requirements, market entry restrictions, obligations for technology transfer and unjustifiable technical regulations.

(Source: adapted from https://www.gtreview.com/news/europe/ec-e27bn-of-trade-hit-by-new-trade-barriers/)

6 Evaluate the importance of promotion in the marketing mix when entering a global market.

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7 Evaluate the significance of trade barriers to a global business when trading internationally.

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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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