

Write your name here

Surname

Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Business Studies

International Advanced Level

Unit 4: Business in a Global Context

Thursday 23 January 2014 – 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 questions in this section.

You should spend 60 minutes on this section.

Evidence A

Driving car sales

By the end of 2012, car sales in developing markets reached a total of 31 million units and exceeded volumes in the mature markets of Western Europe, North America and Japan.



The shift to developing markets is clear. In 2018 it is predicted that China will buy over 11 million more cars than in 2011. The predicted total for China of 29.6 million cars in 2018 is 10 million greater than North America. China will then account for 28% of the world's car sales, whereas North America will represent 18%.

China will become a major importer of cars. That's good news for major car exporters such as Japan, South Korea and for the European Union.

(Source adapted from: <http://blogs.ft.com/beyond-brics/2012/01/09/chart-of-the-week-driving-car-sales/#ixzz2Sd6JKU00>)

Evidence B

Carmakers shift gear in developing markets

Data shows that for the world's top seven car manufacturers, developing markets are soon going to account for over 50% of sales. For *Volkswagen* (VW), it is already 55%, and for four others, it is over 40%.

Many manufacturers are expected to shift production to be nearer to their sales markets. VW is opening another new factory in China which is already its biggest market for sales. As Chief Executive Martin Winterkorn said: "VW's future is increasingly being decided in China, Russia, India, the Americas and South East Asia."

(Source adapted from: <http://blogs.ft.com/beyond-brics/2013/03/18/chart-of-the-week-carmakers-shift-gear-in-emerging-markets/#ixzz2Sd6eRVpZ>)



Evidence C**Mexico's car boom**

Just days after Japan's *Honda* announced the creation of a \$470 million factory in Mexico, Germany's *Audi* also announced plans to build a \$1.3 billion assembly factory in San José Chiapa, conveniently located for shipment of vehicles to the USA and Europe. The increase in car production has generated related investment in steel in Mexico to meet demand from the carmakers.

5

Mexico has almost doubled car production since 2009. Most cars will be exported, with the majority going to the USA. By 2017 Mexico will be producing 4 million cars, up from 2.9 million in 2012.

Ten years ago Chinese wages were roughly 300% cheaper than those of Mexico. Since then, wage inflation in China and unchanged wages in Mexico have combined to close the gap to almost zero. In addition, rising transport costs have given Mexico an advantage, particularly when it comes to exporting heavy and bulky items, such as cars.

10

With Mexico's skilled labour force and the effects of the North American Free Trade Agreement (NAFTA), which shield the country from the potential threat of protectionism, it is little wonder that foreign companies keep going to Mexico.

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(Source adapted from: <http://blogs.ft.com/beyond-brics/2013/05/07/mexicos-auto-boom/#axzz2SnvzekCQ>,
<http://blogs.ft.com/beyond-brics/2011/06/21/made-in-mexico-gains-ground-on-china/#ixzz2Sd54X2yp>)



1 (a) What is meant by the term 'investment'? (Evidence C, line 4)

(2)

(b) What is meant by the term 'protectionism'? (Evidence C, line 14)

(2)

(Total for Question 1 = 4 marks)



This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting practice. There are no margins, text, or other markings on the page.





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(Total for Question 4 = 10 marks)





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(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS



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SECTION B STARTS ON NEXT PAGE



SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

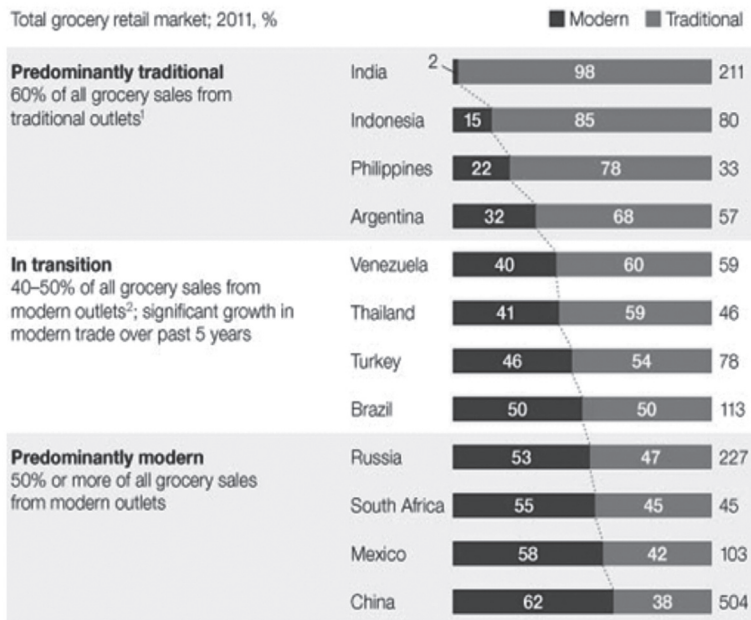
Evidence D

From oxcart to Wal-Mart

In developing markets the world over, grocery multinationals are faced with a wide variety of challenges. In some areas, they must compete with traditional retailers: the many small shops, kiosks and street vendors, who seem to offer local customers a little of everything. In markets, such as India, Nigeria, and Indonesia, small retailers are 98%, 97%, and 85% of the market, respectively.

5

Developing markets present a mix of retailing on a range from predominantly traditional to predominantly modern trade.



¹Includes cooperatives, independent grocers, free markets, and food specialists.

²Includes hypermarkets, supermarkets, discounters, department stores, convenience stores, and specialty stores; significant growth in modern trade over past 5 years.

Source: Euromonitor; McKinsey analysis

In other countries, multinationals must deal with modern retailers including *Tesco* and *Wal-Mart*, as well as local leaders, such as *CR Vanguard* in China, or *Grupo Pão de Açúcar* in Brazil.

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To reach customers in India, *Unilever* has used a multiple-channel approach to gain access to the rural population, in some cases it uses oxcarts and tractors.

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In Kenya, where rural and urban roads alike are often too rough for delivery trucks, *Coca Cola* delivers on bicycles and pushcarts to small distributors, who in turn can reach retail outlets covering 90% of the country's population.

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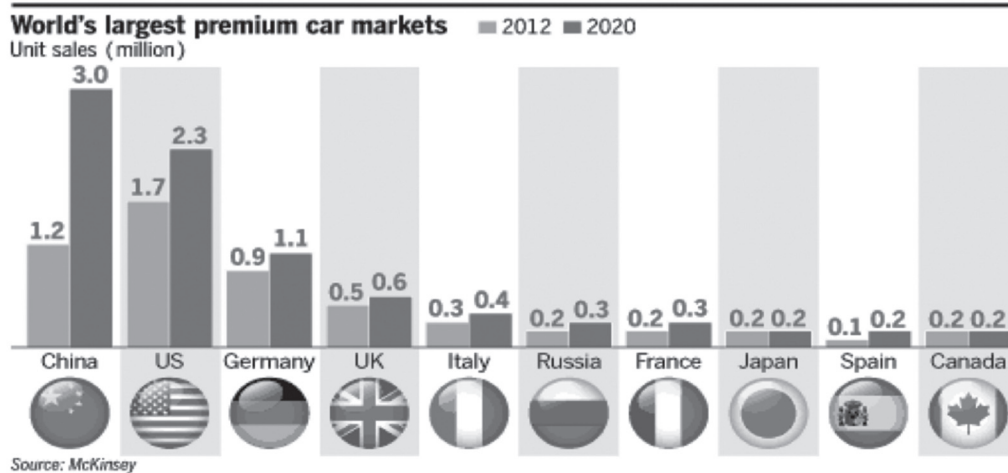
(Source adapted from: http://www.mckinsey.com/insights/winning_in_emerging_markets/from_oxcart_to_walmart_four_keys_to_reaching_emerging-market_consumers)

Evidence E

Luxury carmakers in China digital drive

China's wealthy become rich much more quickly than the rich of other countries, often well before middle age. In response, luxury car companies are turning to social media and digital technology – which tend to appeal more to the younger than the older generation – to sell their vehicles in what will soon become the world's largest premium car market.





"Some 80% of high net worth individuals in China are 44 or younger, compared to the US where it is only 30% and Japan only 2%. And younger people tend to be more internet savvy," says Bill Russo, former head of *Chrysler* in China.

5

Daimler, the German group, has become the first carmaker in China to sell cars using *Sina Weibo*, China's equivalent of *Twitter*. In just over eight hours, *Daimler* sold all 666 of their limited edition 'Lunar New Year' car, with buyers from as far away as the remote provinces of Gansu and Inner Mongolia.

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The need for digital marketing will continue to grow as the Chinese premium car market expands beyond the current 100 cities, to 300 cities by 2020.

(Source adapted from: <http://www.ft.com/cms/s/0/4446fd74-8c5b-11e2-b001-00144feabdc0.html#ixzz2SdCwSEB8>)

Evidence F

Foreign brands tread new paths in China

Gone are the days when just setting up a shop on a Chinese high street was enough to guarantee a steady stream of sales for foreign brands – as *Metro*, Germany's largest retailer, learned this week when it confirmed the failure of its experiment in electronics retailing in Shanghai. *Metro* said it would abandon its plan to establish more than 100 *Media Markt* electronics stores in China by 2015.

5

Metro becomes yet another famous western brand that has failed to prosper in China, including *Best Buy*, *Home Depot* and *Mattel's Barbie*. Even brands that have long been recognised as experts at exploiting the Chinese market – such as *KFC*, the largest foreign restaurant chain in China – have recently begun to experience difficulties.

"Until recently in China . . . if you had stuff to sell the demand was so overwhelming that you did not need a competitive product. But today we are facing a very different consumer, she is more sophisticated, she is taking her time to weigh her options, the consumer is not shopping in a way that is comparable with a year ago," says Jacques Roizen, of *Alvarez & Marsal*, Hong Kong.

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(Source adapted from: <http://www.ft.com/cms/s/0/6cd1a7c4-609d-11e2-a353-00144feab49a.html#ixzz2Sd8Hj9xr>)



6 Evaluate the benefits for a multinational of adapting the marketing mix to suit each market.

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(Total for Question 6 = 20 marks)





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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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