

Mark Scheme (Results)

Winter 2010

GCE

GCE Business Studies/Economics and Business (6BS03/6EB03)
Unit 3: International Business

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Unit 3 Section A

Question Number	Question	Mark
1.	Briefly analyse two reasons why a company such as Dell may wish to relocate its manufacturing operations to another country.	6 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks for knowledge - identifying one or two reasons which might influence a company such as Dell, e.g. cheaper labour, closer to raw materials, closer to markets, govt. Incentives, avoidance of tariffs and quotas etc</p> <p>Application: up to 2 marks for application - showing an understanding as to how these reasons might apply to a firm such as Dell, e.g. cheaper costs may lead to lower retail prices etc. - being closer to markets lowers transportation costs and so on</p> <p>Analysis: up to 2 marks for analysis - developing a comment on the reasons - e.g. Dell are in a competitive market and need to maintain competitive advantage, there may be pressure to follow a competitors lead or other external circumstances - trade liberalisation or emerging markets.</p> <p>General - if only one reason cap at 3.</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	Mark
2.	Analyse two reasons why the Polish government were willing to pay a €52.7 million aid package to attract Dell.	8 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4</p> <p>Knowledge: up to 2 marks for awareness that governments may want to attract MNCs for a variety of reasons e.g. to create jobs, to improve economy, to increase tax revenues, technology transfer, encourage trade, help improve infrastructure etc.</p> <p>Application: up to 2 marks for placing in context e.g. showing that there are benefits to the Polish economy which is not as well developed as some other countries.. Dell is a large MNC and will create jobs directly and indirectly in feeder businesses.</p> <p>Analysis: up to 4 marks for developing these points further e.g. These jobs reduce unemployment and the associated costs that go with it. Local suppliers/existing businesses may also benefit and expand. There will be a positive regional multiplier effect as the increased incomes are spent and an overall positive effect on the economy. Exports may be boosted and tax revenues increased. Presumably the Polish Government sees all these benefits as exceeding the €52.7 million price tag.</p> <p>General - if only one reason cap at 4</p>	<p>1-2</p> <p>1-2</p> <p>1-4</p>

Question Number	Question
3.	Assess the likely impact on two stakeholder groups of Dell's decision to re-locate its manufacturing to Poland
Knowledge 2, application 2, analysis 2, evaluation 3	

Level	Mark Per stakeholder	Descriptor	Possible content
1	1	Some relevant understanding or identification of possible stakeholder	e.g. Employees, shareholders etc
2	2	Basic points developed to show awareness of context in terms of impact on stakeholder.	e.g. Linking of this to employees of Dell in Ireland who may be affected by the move. Linking this to shareholders in Dell who may be affected by the company's move
3	3	The points are developed to analyse the impact on chosen stakeholder	e.g. employees in Ireland may not find other work and incomes may suffer. Shareholders may benefit because Dell's reduced costs may lead to greater competitiveness and profitability
4	4	Evaluation of chosen stakeholder	e.g. the effect on the unemployed workers may depend on their occupational mobility and the current economic climate. Shareholders may not see as much benefit as there may be a short term cost in relocating despite the Polish grant, there may also be other unforeseen problems or costs.
Award extra evaluation mark if merited to either stakeholder (not both)			
If only one group is discussed the maximum mark is 5.			

Question Number	Question
4.	Evaluate the likely impact that increasing membership of the WTO might have on a multinational such as Dell. (12 marks)
Knowledge 2, application 2, analysis 3, evaluation 5	

Level	Mark	Descriptor	Possible content
1	1-2	Some relevant understanding of agents involved <i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and/or a weak style and structure of writing.</i>	e.g. The WTO helps to promote international trade and reduce barriers to trade. MNCs are companies that trade/operate in more than one country.
2	3-4	Candidate shows connection between increased trade liberalisation and an MNC. <i>Candidate uses a limited amount of business/economics terminology with reasonable spelling, punctuation and grammar.</i>	e.g. The WTO's increasing membership may be expected to benefit multinationals like Dell, much as was made of China's recent accession. Trade liberalisation is the key here, the theory is that this has many benefits including easing access to new or restricted markets for multinationals.
3	5-7	The effect(s) of increased trade liberalisation are developed and analysed. <i>Candidate uses business/economics terminology quite well and has a reasonable to good grasp of spelling, punctuation and grammar</i>	e.g. Ukraine may be used as an example (not essential) as both a potential market for the multinationals and a potential base for their operations. For companies like Dell facing saturated and competitive markets in the west and selling relatively income elastic products this is a potentially lucrative market. It may also be a low cost base from which to produce their products.
4	8-12	<u>Low Level 4: 8-10 marks.</u> Evaluation must be present <u>High Level 4: 11-12 marks</u> Evaluation is developed to show a real perceptiveness on the part of the candidate. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion. <i>Candidate uses business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar</i>	e.g responses may point out that just because a country joins the WTO it does not automatically attract MNCs. Neither does it necessarily mean free trade; access to China is still heavily regulated by the authorities. e.g. candidate develops evaluation by perhaps discussing short and long run situations. Cynics may question the efficacy of the WTO in achieving its aims. More countries engaging in trade may actually mean more competition for an MNC like Dell.

***N.B. If analysis but no context restrict to bottom L3
If evaluation but no context restrict to top L3***

Unit 3 Section B

Question Number	Question	Mark
5.	Explain two likely reasons why India might impose high tariffs on imports such as cosmetics.	6 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks are available for describing what a tariff is and/or saying what it is used for, e.g. a tariff is a tax placed on an import to increase its price and decrease its demand</p> <p>Application: up to 2 marks are available for relating the above India and giving two reasons as to why they might be imposed e.g. to protect Indian cosmetic businesses from outside competition or to raise revenue for government spending</p> <p>Analysis: up to 2 marks are available for developing the reasons e.g. giving infant industries a chance to grow without being swamped by foreign competition thus preserving much needed employment or that an increased stream of revenue may be useful for the Indian government in order to fund investment in infrastructure and aid economic growth.</p> <p>General - if only one reason cap at 3.</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	Mark
6.	Analyse why L'Oreal decided to use hairdressing schools as a way to create an Indian market for their products.	6 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2,</p> <p>Knowledge: up to 2 marks are available for identifying one or two reasons which might explain L'Oreal's actions, maybe just repeating the evidence or assertions. e.g. to enter the market, to expand, to increase profitability, can't sell directly at the moment, to stimulate or to increase demand</p> <p>Application: up to 2 marks are available for contextual answers i.e. the Indian market is different to their usual markets it has different customers and different products.</p> <p>Analysis: up to 2 marks are for developing the reasons it requires a different approach e.g. creating a network of professionals who have some loyalty and sympathy to the L'Oreal brand and the use of hands on experience and word of mouth recommendation is likely to be an effective means of market penetration.</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question
7.	Assess the likely importance of mergers and takeovers in L'Oreal's international success. (8 marks)
Knowledge 1, Application 2, Analysis 2, Evaluation 3.	

Level	Mark	Descriptor	Possible content
1	1	Some relevant understanding of key terms.	e.g. understands mergers and takeovers as a means of expansion
2	2-3	Knowledge is applied to L'Oreal	e.g. L'Oreal is a successful global company and has expanded and strengthened its market share by inorganic growth with mergers and takeovers e.g. Softsheen and Carson to enter the black market
3	4-5	For developing ideas by explaining the importance of mergers and takeovers in L'Oreal's success.	e.g. the benefits of economies of scale and the merits of diversification and spreading risk. In fast moving markets and the breaking down of trade barriers mergers and takeovers are a crucial means of keeping up. In L'Oreal's case they have also enabled the acquisition of specialist knowledge of niche markets (examples in stimulus) which have given L'Oreal a competitive advantage.
4	6-8	Evaluation must be present through a balanced response by perhaps pointing out that there are other explanations for L'Oreal's success.	e.g. the right product and understanding of local markets and the needs of differing market segments are also important as is the correct promotional message. The best responses may attempt to judge the relative importance of mergers and takeovers against this with regard to L'Oreal.

*N.B. If analysis but no context restrict to bottom L3
If evaluation but no context restrict to top L3*

Question Number	Question
8.	Evaluate the likely merits of L'Oreal's global marketing strategy of focusing on specific market segments. (10 marks)
Knowledge 1, application 1, analysis 3, evaluation 5	

Level	Mark	Descriptor	
1	1	Relevant knowledge and understanding	Knowledge of marketing strategy or market segments
2	2	The above is applied to L'Oreal	e.g. L'Oreal produces different products for different markets e.g. Lancome for car driver, Maybelline for bike rider
3	3-5	Candidates explore some of the merits L'Oreal's strategy	e.g. each market segment has special requirements, the more precisely that L'Oreal can target that market the more likely they are to sell. Specialist products reduce PED and premium prices may be possible, customer loyalty is increased and further products may be launched on their back e.g. Soft Sheen and Carson. A variety of markets spreads risk.
4	6-10	<p><u>Low Level 4: 6-8 marks</u></p> <p>Evaluation must be present, such that candidates make judgments as to the extent of the likely merits.</p> <p><u>High Level 4: 9-10 marks</u></p> <p>Evaluation is developed to show a real perceptiveness on the part of the candidate.</p> <p>A conclusion which is well contextualised is evident.</p>	<p>e.g. there are some drawbacks, some of the possible global economies of scale may not be achievable as each market will need individual attention. Perhaps contrasted with the benefits of a true global marketing strategy. Co-ordination and communications may be more difficult across differing brands and markets.</p> <p>e.g. Some products may require unique ingredients or production techniques reducing the scope for economies of scale. Some brands are global but others will be specific to geographical or ethnic segments and require their own marketing and promotion,</p>

*N.B. If analysis but no context restrict to bottom L3
If evaluation but no context restrict to top L3*

Question Number	Question
9.	Evaluate the likely impact on British businesses of India's continued growth. (15 marks)
Knowledge 2, application 1, analysis 4, evaluation 8	

Level	Mark	Descriptor	Possible content
1	1-2	<p>Candidate shows an understanding of growth</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and/or a weak style and structure of writing.</i></p>	e.g. defines or identifies growth as economic growth or population growth
2	3	<p>Application of growth in India linked to British businesses.</p> <p><i>Candidate uses a limited amount of business/economics terminology with reasonable spelling, punctuation and grammar.</i></p>	e.g. increased economic growth can mean opportunities for British firms.
3	4-7 <i>Not in context cap at 4marks</i>	<p>Analysis of impact on UK firms</p> <p><i>Candidate uses business/economics terminology quite well and has a reasonable to good grasp of spelling, punctuation and grammar</i></p>	<p>e.g. for many UK businesses existing markets may be saturated and overly competitive, the attractions of a mostly untapped market with rising incomes and increasing standards of education are obvious and many candidates may focus on this.</p> <p>For other UK firms, India may well be more of a threat as its economy expands. Increasing levels of education, particularly in the IT sector may prove to be tough competition for many UK businesses.</p>
4	8-15 <i>Not in context cap at 8marks</i> <i>Poor evaluation 8 marks</i>	<p><u>Low Level 4: 8-11 marks</u></p> <p>Evaluation must be present, candidates begin to discuss the fact that not all businesses will feel the same impact</p> <p><u>High Level 4: 12-15 marks</u> Evaluation is developed to show a real perceptiveness on the part of the</p>	<p>e.g. much will depend on the nature of the UK businesses and their products or services. Those firms supplying Income Elastic products may well benefit more than others, those able to get first mover advantage will probably do better than late arrivals.</p> <p>e.g. Much will depend upon the pace of India's growth and the distribution</p>

	<p>candidate, in this range it is likely that the discussion will be more articulate and show understanding of the complexities involved.</p> <p>A conclusion which is well contextualised is evident.</p> <p><i>Candidate uses business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p>	<p>of any resulting extra wealth. The short term situation may well be different to the long term.</p>
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Question		Kn	App	An	Eval	Total
1		2	2	2	-	6
2		2	2	4	-	8
3		2	2	2	3	9
4		2	2	3	5	12
5		2	2	2	-	6
6		2	2	2	-	6
7		1	2	2	3	8
8		1	1	3	5	10
9		2	1	4	8	15
Total		16	16	24	24	80

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