

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCE

**Business Studies/Economics and Business
Advanced
Unit 3: International Business**

Friday 10 June 2011 – Morning
Time: 1 hour 30 minutes

Paper Reference
**6BS03/01
6EB03/01**

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.*
- You may use a calculator.

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.*
- Quality of written communication will be taken into account in the marking of your response in Section A, Question 4, and Section B, Question 9. These questions are indicated with an asterisk* – *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*

Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- 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.

Evidence A

China joins ASEAN to launch world's 3rd biggest trade area

On New Year's Day 2010, China joined ASEAN (The Association of Southeast Asian Nations) to create the world's third-largest free-trade area and the largest in terms of population, with 1.9 billion people. The new free-trade area, which will remove tariffs on 90% of traded goods, is expected to increase trade between the member states substantially. China sees the agreement as a way of securing supplies of raw materials, while other countries in ASEAN, such as Cambodia, Indonesia, Malaysia, the Philippines, Thailand and Vietnam, see opportunities in China's huge market.

5

While many industries are eager for tariffs to be reduced, e.g. on textiles, rubber, vegetable oils and steel, a few countries are concerned about what the agreement will mean for their businesses. Malaysia – which already exports palm oil, rubber and natural gas to China – is one country that might benefit from the removal of tariffs.

10

While competing with more Chinese imports may pose new challenges for ASEAN manufacturers, increasing their access to the 1.3 billion people of China could produce significant benefits.

(Source: <http://www.nytimes.com/2010/01/01/business/global/01trade.html>)

Evidence B

Asia Free-Trade area raises hopes and some fears about China

■ Existing ASEAN members are expected to benefit from increased exports of raw materials to China, but their consumer goods and car parts makers could lose out to cheaper Chinese imports.

■ Food and beverages, and products such as jewellery and cosmetics in countries such as Thailand are expected to benefit from higher Chinese demand.

5

■ Southeast Asian companies may also benefit from cheaper raw and intermediate goods from China – for example, clothing firms will now have access to cheaper material.

■ Manufacturers of goods such as textiles, footwear and steel in countries such as Thailand, Vietnam, Cambodia and Indonesia appear vulnerable to cheap Chinese imports.

Sources: Reuters, ASEAN, China News Service, The Jakarta Post

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(Source: http://www.bilaterals.org/article.php3?id_article=16560)



1 Briefly explain **two** possible reasons why tariffs previously existed between the ASEAN countries and China.

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(Total for Question 1 = 6 marks)



2 Analyse **two** ways that the expansion of ASEAN could affect UK businesses.

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(Total for Question 2 = 8 marks)



3 Assess the likely benefits of specialisation for ASEAN countries, such as Malaysia, which specialises in palm oil.

Dotted lines for writing the answer.

(Total for Question 3 = 9 marks)



***4** Evaluate the likely impact on the existing ASEAN economies of China joining the free trade area.

(12)

A series of horizontal dotted lines for writing the answer.



(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A: 35 MARKS



SECTION B

Answer ALL the questions in this section.

Evidence A

Yum Brands Bets on India's Young for Growth

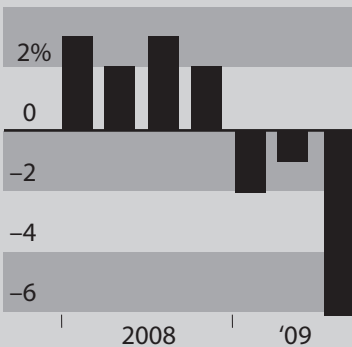
Yum Brands has more than 36 000 restaurants in over 110 countries. It is planning a major expansion in India early next year, hoping to position KFC (Kentucky Fried Chicken) and Taco Bell as youthful, hip brands in a nation of young consumers. The chain is struggling in the USA, where the market is saturated. Emerging markets are becoming more important for global chains as the recession has taken its toll on restaurants elsewhere.

5

Seeking Lift

Yum Brands look to India to offset sagging US Sales.

Change in sales at US stores open at least a year



Source: the company

Yum currently operates 72 KFCs and has 158 Pizza Huts in India. It plans a total of 1 000 restaurants in India by 2015, generating about \$1 billion in annual revenue.

Taco Bell will open in Bangalore by March 2010, then another four or five Indian test restaurants will open later in the year. The menu will be similar to American restaurants, although spicier and more vegetarian. With the average age in India just 25 years, versus 37 in the USA, Yum hopes to get teens and young adults hooked on its inexpensive food. The cheapest menu items will be tacos, priced at 20–30 Rupees (Rs).

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This year the company opened 27 KFCs in India, double the number opened in 2008. To appeal to young Indian adults, KFCs are decorated in bright colours; they offer big flat-panel televisions and seating areas where groups can freely mix. Furthermore, the emphasis on affordability is very high: a selection of sandwiches at Rs 25 (33p), a snack box meal for Rs 50 (66p) and lunch for Rs 100–150 (£1.32–£1.96) per head. However, low price is a double-edged sword; low-cost products may strike target users as low-quality compromises and detract from the company's brand appeal.

25

(Source: <http://online.wsj.com/article/SB10001424052748704541004574600114058630226.html>)



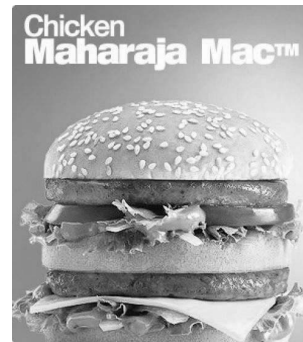
Evidence B

Brand Magic in India

The best way to succeed in a new market is to study local tastes closely. Pizza Hut had previously struggled in India, mainly because Italian toppings didn't suit Indian taste buds. The launch of a Tandoori Pizza quadrupled sales. Pizza Hut has since launched many more pizzas tuned to Indian tastes.

There are some parts of the global brand that Pizza Hut does not want to change, such as air conditioning, quality ingredients, and customer service. There is a fine line between making sure the brand doesn't lose its international identity and ensuring that it suits local tastes. 5

McDonald's dispensed with its most prominent ingredient in order to respect, and please, its Indian customers. Many Indians eat no beef or pork, or any meat at all. The menu now includes local creations like McAloo Tikki Burger and Curry Pans. Around 70% of the menu is 'Indianised', and the McAloo Tikki Burger is the highest selling product. While the menus differ, the McDonald's experience around the world is consistent. Think global. Be local. 10



(Source: http://www.businessweek.com/innovate/content/may2006/id20060508_952455.htm)

Evidence C

McDonald's to Expand in India

McDonald's India is a joint venture between the company and two domestic partners. It plans to bring the Chicken Maharaja Mac to more of India. In a predominantly Hindu nation that respects the cow, beef isn't on the menu. McDonald's has plans to open another 40 restaurants this year, compared to 25 last year. The number of customers coming to McDonald's restaurants has climbed between 10% and 15% each month, compared with a year earlier. 5

(Source: <http://online.wsj.com/article/SB124628377100868055.html>)



5 Explain **two** possible reasons McDonald's formed a joint venture for the Indian market.

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(Total for Question 5 = 6 marks)



6 Analyse **two** possible reasons for Yum Brands' decision to expand in the Indian market.

Dotted lines for writing the answer.

(Total for Question 6 = 6 marks)



***9** Discuss the extent to which a global marketing strategy is possible or desirable for a multinational company such as Yum Brands or McDonald's.

(15)

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(Total for Question 9 = 15 marks)

TOTAL FOR SECTION B: 45 MARKS
TOTAL FOR PAPER: 80 MARKS



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