

Examiners' Report
January 2013

GCE Business Studies 6BS03 01

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Introduction

Some centres appear to have benefited from previous exams and the feedback that followed. Some topics such as joint ventures, MNCs and mergers/takeovers were well understood and examples from past papers were often seen. Good answers by some candidates indicated that they were well prepared and had clearly brought the benefit of wider reading and study into their answers, showing a real understanding of the topics reinforced by valid examples. Yet elsewhere, the same old mistakes and errors were being repeated, with many candidates reproducing generic textbook answers without any examples to give context.

As in previous exams, some candidates weakened their responses by failing to apply the terms and theory they had been taught, preferring instead to use generalities and non-specialist language. After two years of study, candidates really ought to be able to use the correct terminology and apply concepts and theories as necessary.

Other problems that were seen were candidates not heeding command words and not reading the questions carefully enough. Command words are still being ignored by a sizeable number of candidates. Instructions to 'Assess' and 'Evaluate' mean that marks are available for evaluation and without doing this candidates are limiting their chances of success.

A number of candidates missed out on marks because they did not answer the question that was set. This was a particular problem on questions 4 and 9.

Some candidates did show evidence of time pressure and only produced a limited answer to question 9 but this seemed to be mostly due to overly long responses to the earlier questions.

Overall though, there were many excellent responses that showed that the candidates had responded well to the stimulus material and the questions.

Question 1

For most candidates this was a straightforward start to the paper. Joint ventures are well understood and this was a classic example. Most candidates correctly identified two reasons and developed the analysis appropriately. Some responses however, were generic and did not use any context thus limiting their marks to a maximum of 4. A small number made assertions such as 'to increase profits' without explaining why a joint venture might have been appropriate for this.

Context means that the response can only apply to that setting and is not a generalised answer. Question 1 asks for reasons why Enel may have formed a joint venture with Colbun. A response such as "To gain local knowledge and so to prevent costly mistakes due to communication problems" may be accurate, but it could apply to any joint venture in any country and lacks context. If it had said "To gain local knowledge and so to prevent costly mistakes due to communication problems, because Enel is an Italian company and Colbun is a Chilean one and understands local needs" this is unmistakably in context and cannot be applied elsewhere.

Q1, 2, 5 & 6 do not contain evaluation marks but are marked on the assessment objectives of knowledge, application and analysis.

- Knowledge – means telling the examiner a fact or reason for something, it is something the candidate knows or has learnt.
- Application – means that you use that knowledge in the setting (context) of the question. This may mean applying some of the evidence from the source material or their own knowledge.
- Analysis – is best seen as a consequence of something happening.

- 1 Explain **two** possible reasons why Enel may have formed a joint venture with Colbún for the HidroAysen project.

A joint venture is when two individuals companies come together to form a project or idea. One reason why Enel may have formed this with Colbún is to spread the costs. With a \$3.2 billion project, splitting the investment between 2 companies is a much more viable idea and will allow both businesses more success within such project as money can then be invested elsewhere.

Another reason may be to gain knowledge about the country, Chile. As a Chilean multinational, Colbún are the perfect company which can provide Enel information about the country + economy ect that otherwise may take years as well as thousands to find out alone. This means that the 2 companies are able to plan the project straight away without the need for time consuming research about Patagonia ect.



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Examiner Comments

A good answer that scored all 6 marks.

A clear reason is given (1 knowledge mark), it is set into context (1 application mark and then a reason/consequence is developed (1 analysis mark). A second equally good reason repeats this sequence.



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Examiner Tip

A definition is not needed here. The knowledge marks are for knowing the reasons why a joint venture was formed. There are no marks for definitions.

Question 2

Another well answered question with most candidates showing good understanding of the stakeholders and what the possible impacts of the HidroAysen project might be. Most scored well on this question.

A strong answer that scored maximum marks.

- 2 Analyse the impact the HidroAysen project might have on any **two** stakeholder groups.

One stakeholder group that the project will affect is the Chilean Government, the dam will bring with it employment for local construction firms as well as suppliers of pipes and raw materials needed for dam construction. This will lead to a decreased unemployment rate and more spending in the economy as these workers have an increased disposable income. This will lead to the positive multiplier effect as the Government will receive increased taxes which they can then spend on improvements to infrastructure which may attract further FDI and encourage increased economic growth in the economy.

Another stakeholder group that will be affected are the shareholders in both Enel and Colbun. In the long term the shareholders of these MNCs will benefit from a potential increased dividends as they are receiving increased revenue from the homes that their electricity from the hydroelectric plant is powering. However in the short term, the shareholders may see a fall in dividends as the share up costs of \$3.2 billion have to be paid before seeing any return.



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Examiner Comments

Good use of context with clear understanding and full development of analysis.

This answer does describe 2 stakeholder groups but is rather brief and lacks development. It scored 5 marks.

2 Analyse the impact the HidroAysen project might have on any **two** stakeholder groups.

Stakeholder - Anyone who has an interest in the business. & usually in it for the long term.

People who live in the surrounding areas so the Dams will be affected as the Dam may destroy their homes or jobs. This will have a negative impact on them as they could lose everything they have.

Another group of stakeholders who will be affected by the project will be the staff working on the project as they will be building the Dams but it will depend upon the government allowing the project to go ahead. This will have a large impact on the workers, as if the government deny the project then they are likely to lose their jobs as they are no longer required this will cause an increase in unemployment.



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Examiner Comments

The first stakeholder group is identified and a possible impact given (1 knowledge mark and one analysis mark = 2 marks). The second group is better with more depth and has context (1 knowledge, 1 application and 1 analysis). It needs more development of the analysis to gain the final mark.



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Examiner Tip

Remember that there are two analysis marks here which means full development of a reason/consequence or two separate analytical points.

Question 3

Those that scored well here did so by making good use of the stimulus material and their own knowledge of other examples to provide context on both sides of the argument. Many limited their marks by not providing enough context. A significant number did not read the question carefully enough and just provided a list of ways in which MNCs might be controlled.

Q3, 4, 7, 8 and 9 are levels of response questions with evaluation as well as the other objectives.

Evaluation means making a judgement about something. It may entail looking at the advantages and disadvantages or making a choice between alternatives. Good evaluation will also involve reaching a balanced conclusion.

EU do the price long vs short. 9 3EV

3 Assess the extent to which the activities of a multinational, such as Enel, can be controlled by pressure groups.

A multinational is a company which trades in more than one country.

Pressure groups can cause a large amount of media pressure by ~~the~~ negatively branding a company such as Enel, who's flooding of the natural Chilean landscape could be seen as unethical. This may cause Enel to see a decrease in demand for what is now considered an unethical product. This would ^{likely} cause a decrease in profits & possible loss of jobs, which may result in a negative multiplier effect.

The extent to which pressure groups can control a multinational is debatable, as Enel has a large global market share (2nd largest energy provider in ~~EU~~ ^{Europe}) ~~for~~ customers may not actually be raised by the fact that the electricity has caused damage to the Chilean landscape, but only care about the ^{cost} price of the energy.

In the short term, media coverage & negative PR may have some effect on demand, however in

the long term (when energy prices will ^{likely} decrease due to the cost (£3.2 billion) of the dams being paid for) will likely see very little change to the competitive energy companies' sales, no matter

what the pressure groups do as consumers may care more about the price of their product, than how ethically it is sourced.



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Examiner Comments

A good answer with clear use of examples to provide context for both sides of the argument. Evaluation is enhanced by the contrast between the short and long term situation.

This response was in level 4 and scored 8 marks.



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Examiner Tip

Evaluation does not have to be complex or difficult. Just remember that when being positive about something, there will always be a drawback that could be mentioned. If it all seems like doom and gloom there will always be a silver lining somewhere. Remember to use phrases such as, 'However...' or 'On the other hand...' as a prompt to evaluate. It is usually evaluation marks that lead to higher overall marks.

Question 4

Although many candidates did well on this question, a significant number were capped in level 3, as they gave generic textbook answers that could have applied to any multinationals or any country. Others included some context but not always enough for both sides of the argument. Some responses had the question completely back to front.

This answer only scored 5 marks.

*4 Evaluate the likely impact of multinationals on the economic growth of countries such as Chile.

Chile is a stable country with increasingly more multinationals entering the country every year. It is a developing country which means there is a large middle class and still plenty of room for economic growth. A multinational entering a country such as Chile would have both negative and positive impacts on economic growth and ^{further} development. Being a developing country with a large middle class means that multinationals would want to penetrate the Chilean industry and create jobs through new production facilities or factories. This means that with more jobs in the country, Chileans will have more disposable income, which will lead to the buying of products and services and will lead to improved revenue for businesses, higher GDP per capita and an improved economic growth.



ResultsPlus Examiner Comments

There is nothing wrong with the content of the answer but it has two main problems. Firstly it lacks any kind of context; just repeating the word Chile from the question does not give it context. If Chile is replaced with Brazil, it still makes sense. Secondly, it has ignored the command word 'evaluate' and is one-sided, which means it cannot gain any of the 5 evaluation marks available in level 4.



ResultsPlus Examiner Tip

Even if your mind goes blank and you cannot remember any examples, there should be enough in the stimulus material that you can use.

Question 5

Not a particularly well answered question. Specialisation in goods or services is part of the specification, as is India. Call centres are also given as part of the teacher guidance. It was surprising therefore, to see so many candidates apparently unaware of either term. In addition, many chose to ignore services and discuss specialising in agriculture or manufacturing (including Tata) instead. Others ignored the instruction to explain 'benefits to India' and talked instead about individual businesses or industries. As these candidates ignored the question set, they did not gain credit.

A good answer scoring all 6 marks.

5 Explain **two** possible benefits to India of specialising in services.

Specialisation is when a country focuses all of its resources on one product or service. Specialising in services has allowed India provided more than half of India's GDP with less than a third of its labour force. This means that if India focused all of its resources, GDP is likely to increase due to economies of scale and its market share would also increase globally, which is another benefit of specialisation. With more services, for example call centres, in the country, the cost to use one as an MNC would probably decrease, therefore attracting FDI into the economy and increasing growth higher than 7%, continuing the boom period ever further through specialisation in the services industry.



ResultsPlus
Examiner Comments

Clear understanding of the question and the subject matter, in context and well analysed.



ResultsPlus
Examiner Tip

On these type of questions always check that you have
Given what the question has asked e.g. two reasons
Stated a reason
Applied it to the context
Explained a consequence or development of the reason

Question 6

This question clearly focused on the global marketing part of the specification and for many a chance to link it to a well-known global brand. Although it was generally well-answered in terms of knowledge and analysis, **application was less effective** in the majority of answers. For reasons which are unclear, many candidates then launched into an assessment of 'Thumbs Up' despite this having nothing to do with the question.

- 6 Analyse why Coca-Cola "prefer their products to be the same everywhere" (Evidence B, line 16).

Coca cola may want to have a global marketing strategy which means marketing tactics and products are the same on a global scale. This benefits Coca Cola as they do not have to have a wide range of products to suit each individual market, instead they can have one product that suits all which cuts costs and is easier to manage. Also by having a global marketing strategy it will mean that marketing campaigns and such activities will also not have to take place in each market, thus also reducing cost as each individual market segment doesn't have to be researched saving Coca Cola a lot of time and money.



ResultsPlus

Examiner Comments

Good use of knowledge and analysis but lacks any context for application marks. This could apply to any global product. Just mentioning Coca Cola (which is in the question) is not enough. It scored 4 marks.



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Examiner Tip

If this answer had some sort of reference to the brand or product of Coca Cola e.g. the lettering, the red and white colours or the shape of the bottle it would gain context and application marks.

Question 7

For the most part, this was a well answered question and the topic of mergers and takeovers in a global context seemed to be well understood. Some candidates were able to make relevant comments in context such as JLR complementing Tata's existing range, the steel being useful for their vehicle production and entering the EU trade block. By way of evaluation some candidates looked at possible clashes between Tata's traditional industries and new ventures such as Tetley's Tea.

Unfortunately some candidates ignored the wealth of evidence available and launched into generic prepared answers that ignored the requirements of the question.

Tata is an Indian multinational.

7 Assess the likely consequences for Tata of expanding by mergers and takeovers.

Mergers and Takeovers are a form of inorganic growth where the companies join together or one buys off another. Tata will instantly have a greater customer base, for example when it bought Jaguar, it would instantly be start gaining revenue and profit from Jaguar's buyers which ~~would~~ would have taken them years and millions of ruppies in terms of ~~to require~~ campaigns to ~~enter the~~ ^{enter the} British luxury car market on their own. They also instantly have access to all of Jaguar's or ~~Brunner~~ Brunner Mood's technology and assets so are now able to produce a lot more cars, etc. giving them a chance to sell more now that have increased supply, also leading to sales revenue and profit increasing; these factories and equipment would have also taken years and millions to acquire on their own. ~~However~~. However, there could be some conflict in management styles due to culture clashes since Britain and India work so different so this could create resentment between Tata management and Jaguar employees, leading to a lack of communication, leading to eventual failure.



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Examiner Comments

This response has evaluation and uses the context reasonably well. It reaches level 4 and scores 7.

Tata is an Indian multinational.

7 Assess the likely consequences for Tata of expanding by mergers and takeovers.

Mergers are where two companies come together and often synergised by the advances of the other company they merged with. A takeover is where one company relinquishes the identity of another and takes their place and name of their establishments. Only one identity is remaining.

For Tata, the likely consequences that mergers and takeovers (acquisitions) present are both beneficial and drawbacks.

If Tata decides to expand through means of mergers, they will be gaining the expertise of another business and will be able to enter the domestic market uncontested by anyone, however, a merger also means your advances and knowledge are being given to them, so if they decide to leave the merge they can use this knowledge to overthrow you and possibly be more competitive.

If they expand through takeovers they will be getting rid of the business and its identity all together, this could lead to local people and loyal customers pressure groups to be formed and your customer base could be reduced as well as a negative company image.

However, you will not have to worry about future competition as the business no longer exists, and you have your share of the market.



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Examiner Comments

By contrast this response has evaluation but lacks any context and although competent enough stays in level 3 and scores 5.

Question 8

Most candidates had a good knowledge of the potential problems facing a business when entering a foreign market and discussed such issues as protectionism, culture clashes and language barriers. However not many were able to make good use of context. The large majority of candidates, who attempted to provide examples, chose US companies such as Coca Cola or McDonalds, and so application could not be awarded in these cases. Others ignored the command word to 'Assess' and provided a long list of potential difficulties without any judgements as to their relative seriousness or how they might be overcome.

8 Assess the potential difficulties a UK business might face when entering a foreign market, such as India.

UK business Tesco may face cultural and social differences when entering India. In this case I know that the people in India believe the cow is sacred and they prefer to shop on market stalls rather than neat supermarkets. This will lead to Tesco offering foods that may not be to Indians taste eg. beef burgers and as a result of this many Indians will stick to shopping on local market stalls leaving Tesco with a lot of wasted food and therefore costs outweighing their profits leading to them having to shut down Tesco stalls in India. India's infrastructure is also bad therefore food may perish wasting money further.

However India have a population of 1.26 billion people - 700,000 of them being under 35. In this case the young Indian people may be open to change their lifestyles or try out different foods that isn't their usual spicy food. This will lead to many Indians becoming brand loyal to Tesco and preferring their supermarkets instead of stalls and as a consequence Tesco's profits will be high and they can learn more about Indians tastes while they are there and grow further.

Furthermore it depends on the product. Food maybe harder as they have the challenge of converting Indian people, where as electronics may prove easier. In the short run they may struggle to make a profit but in the long run have the chance to be successful due to taste convergence and globalisation (making the world one market)

(Total for Question 8 = 10 marks)



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Examiner Comments

A good answer that scored high level 4 and 9 marks. The candidate used a mixture of their own knowledge and evidence from the stimulus material and made good use of a UK firm - Tesco. Difficulties are well explained and then a judgement is made about how much of a problem there might actually be. What lifts it up to 9 marks is further discussion about types of products and the relative difficulty they face when entering a foreign market.



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Examiner Tip

Do read the question carefully. You **do** need to talk about UK businesses but the question then says "a foreign market, **such as** India". You don't have to use India but could use any other country with which you are familiar.

Question 9

The final question was lifted directly from the specification and gave many candidates the chance to pull together concepts from different parts of the specification and achieve some high marks. There were many good answers that showed clear evidence of wider reading and a real understanding of how economic growth in India can have widely differing impacts on different MNCs. For some it was the opportunity to increase sales and profits, for others the threat of the growing power of Indian MNCs such as Tata. Other responses looked at the impact that economic growth would have on wage levels and the costs of MNCs that outsource production to India.

There were also many responses that were just generic and did not use any examples or context which limited their marks. It really is important on this question that candidates do apply context in order to access the full range of level 4 marks.

*9 Evaluate the possible impact of India's growing economic power on multinational firms.

India's GDP Growth rate was greater than 7%. In 2011, this shows that India's economy is growing ~~quite~~ at a rapid rate.

India's growing economic power means that consumer disposable incomes are also increasing, that is why India is recognised as an emerging market. This increase in incomes allow MNCs to start selling their products in India. Even high end brand like ~~an~~ Apple can now penetrate the Indian market because now consumers are able to afford their expensive technology. So MNCs can increase their sales and profitability by entering the Indian market.

Also due to India's growing economic power, they are attracting more ~~FDI~~ MNCs are setting up in India, in order to spread their risks among many global markets so that if one market fails the profits from another can keep the product alive.

~~Also an increase in~~ Indian Multinationals such as TATA are gaining more support from India's growing economy because they are not only flourishing in their home markets but also in the UK ~~where~~ where they have taken over big brands like Jaguar Land Rover, and the growing economic power in India would support Indian MNC because the government is likely to support TATA ~~even~~ probably even through tax holidays due to the contribution they make towards the

Indian economy. Also there is a possibility for MNCs to outsource IT services and call centres to India, because with economic development much needed infrastructure development would be invested in.

However India's economic growth means MNCs would be facing heavy competition from Indian firms because TATA for example has become a strong competitor in the Steel industry and with Indian companies becoming more powerful, MNCs from other countries may be forced out of competition.

Also not all MNCs can benefit from India's growing economic power because, Indian tastes and preferences are still quite different. For example even though some big brands like Louis Vuitton may find India a potential market due to increased disposable incomes, Indian's may still want to stick with the traditional saree instead of the latest fashion trend, so not all brands MNCs may be successful in the Indian market in the short run.

Also in larger parts certain areas in India are still poor like in the east, so the MNC may not be able to successfully penetrate the Indian market even though there is high economic growth.

In conclusion it can be said that even though the economic growth in India may be a potential market for many high end brands due to increased consumer spending, certain brands may find it difficult due to cultural clashes but in the long run it may be possible due to globalization. (Total for Question 9 = 15 marks)



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Examiner Comments

A good and varied response that scored 13 marks. It uses a mixture of the stimulus material (Tata), outside examples (Louis Vuitton) and knowledge of India to give a balanced evaluation of the question. A range of impacts is considered and it is nicely rounded off with a conclusion; all of which lifts it into high level 4.



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Examiner Tip

A conclusion can increase marks as long as it is relevant. Try to draw the strands of an argument together and address the question again.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Read the extracts carefully; 5 or 10 minutes is time well spent.
- Work on a mark a minute as a guide.
- Read the question carefully and take note of command words used.
- Make sure the answer has context and is not a generic or textbook answer.
- Use examples from your studies or from the case material provided.
- Write clearly and succinctly.
- Take time to plan the longer answers such as Q4, 8 & 9. If you are worried about them, why not do them first?

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