

Examiners' Report
June 2016

GCE Business Studies 6BS03 01

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Introduction

This paper offered candidates a mix of topics and the questions seemed to discriminate well, with a wide variety of responses, many of which were very good indeed. Many centres appear to have benefited from previous exam case study, which were used well to contextualise answers. Many candidates were well prepared and had clearly brought the benefit of wider reading and study into their answers, showing a real understanding of the topics.

There are still many candidates who start off their answers with a definition of a key term.

This may be good practice at AS level, particularly with the multiple choice questions but for A2 they are not necessary and only waste the candidate's time.

Very few candidates failed to finish all the questions.

However, there are still too many responses that rely heavily on assertion and generic answers. The main reasons for underachieving in this exam are the usual ones of 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' were not followed by some candidates.

Question 1

This question was answered quite well overall. The most common responses focused on increase in wealth and spending power in emerging markets. Some candidates did struggle for a second reason and simply repeated the same point but phrased differently, so they were limited to 3 marks.

Many candidates failed to gain the analysis marks as they simply repeated the question and stated 'this will lead to more sales' rather than explain how the factor would lead to more demand.

- 1 Explain **two** possible reasons why China and other emerging economies may have led to increased sales for businesses such as *The Pentland Group*.

An initial reason is that China have an emerging middle class who have a demand for Western products. Businesses like The Pentland group can sell their products to ~~access~~ ^{the} ~~increasing~~ ~~income~~ Chinese market leading to increased sales.

A second reason is that emerging markets for example China, have rapid economic growth (8-10% per year) meaning disposable incomes increase and therefore Chinese consumers have the wealth to buy sports/fashion brands that The Pentland Group own.

(Total for Question 1 = 6 marks)



ResultsPlus Examiner Comments

This is a detailed response giving two good reasons. The two reasons are then applied in context. The first reason is not awarded the analysis marks as it simply states 'which will result in more sales' which is part of the question. The second reason provides analysis of why more sales could be achieved. Hence 5/6 marks awarded.



ResultsPlus Examiner Tip

For each reason we are looking for an identification of a reason (knowledge 1 mark), then showing how that reason might apply to Berghaus (application 1 mark) and then developing that reason by explaining how this leads to more sales (analysis 1 mark).

Question 2

Most candidates scored some marks on this question, although few managed to reach all 8 marks. Context was used well and quoting from the case study was very popular.

Application was good in most cases, with candidates often using the brand names of Berghaus as examples. The analysis tended to be limited in most cases, with many candidates accessing just 1 of the 2 marks available for each reason. This was because candidates made an analysis point but then failed to develop it beyond stating that it would lead to more profit. Stronger answers considered the impact on the growth of the company.

- 2 Analyse **two** reasons why a business such as *The Pentland Group* may have chosen to expand through takeovers.

The clearest reason is Pentland's acquisition of Berghaus in a desire to secure their distribution channels. For Pentland this means that materials for production can be kept low, perhaps under market value. This decrease in costs means that Pentland can reduce their prices, which will make their products more desirable, increasing demand. This will likely translate into higher sales as which as producing costs are minimized will increase profit, which can be used to further expansion and dividends for shareholders.

Takeovers are also a useful way to expand quickly. Expanding quickly is important for Pentland as it means they can be first to market, in markets such as China, securing the consumer base and brand identity. This will secure demand for their goods while their competitors arrive such as Nike and Adidas with their sponsorship. The increasing sales will likely result in secured profit for Pentland as they if they keep sales low.



ResultsPlus Examiner Comments

A reasonable response. Two effects are identified gaining 2 knowledge marks. The consequences are then discussed for 2 analysis marks. However, these points are not developed. There is some reference to competitors which gained one of the application marks. This response gained 5 marks in total.



ResultsPlus Examiner Tip

Failure to develop the analysis means the second analysis mark will not be awarded.

Question 3

A well answered question with most candidates scoring well. The pros and cons of global sourcing were usually well covered.

Many candidates used the case study material to provide context and the more able candidates were able to use evidence of their own. However, many candidates did not provide context in their evaluation and were therefore limited to 7 marks.

3 Assess the likely benefits of global sourcing for a business such as *The Pentland Group*.

There are many likely benefits ~~benefits~~ of global sourcing to businesses. One benefit would be that it can ~~also help~~ help reduce costs of production. This is because sourcing from some countries will guarantee lower wages, some countries in Asia are often used for this purpose, as said in the evidence Pentland group used Asia and would have benefited from lower wages. This is important because lower costs of production increase profit margins, thereby making it easier to make a profit.

Another likely benefit is that ~~global sourcing~~ it can allow businesses to source from countries that specialise in what they want, countries with an absolute advantage at producing something, Pentland used China for this who ~~are~~ have an absolute advantage in shoe production. Another benefit is that you can obtain cheaper components, supply can be cheaper thereby cutting costs and increasing profit margins.

However these may not be very beneficial to some businesses as some have an ethical stance and won't exploit low wages. Also global sourcing can lead to communication difficulties if you source from half way around the world.

Overall it would be very beneficial to a business such as the Pentland Group.

(Total for Question 3 = 9 marks)



ResultsPlus
Examiner Comments

A good response with clear arguments that gained 7 marks.

The response makes good use of the evidence in the analysis but fails to provide context in the L4 point and the evaluation remains very generic.



ResultsPlus
Examiner Tip

A good way of thinking about context is to try using another company's name instead of Pentland in the answer. If it still makes sense, then there is no context, if it changes then there is context.

Question 4

A well answered question with most candidates achieving L4 marks. The pros and cons of a developed market were usually well covered.

Some candidates inevitably produced a generic answer without applying the context of the question, but more able candidates were able to use either the case evidence or their own knowledge of competition in the outdoor market and so reached the higher marks.

*4 Evaluate the likely difficulties Berghaus might face when entering a developed market such as the US.

A developed market is one which has workers in all sectors of the economy. Primary sector, secondary sector and tertiary sector.

In this case Berghaus may find themselves having fierce competition ^{as they will have well known competitors such as Hunter boots and red baker} in the US market as they don't know the market as well as US businesses do and may find it harder than other companies to give consumers what they want. They may also find it difficult to completely get the culture. This could result in Berghaus having low sales and profit and failing in the US market.

However due to Berghaus having a two year successful trial in the US it seems that their product will do well in the US as it seems to meet the needs and wants of American consumers. In 2013 with all their businesses The Pentland Group saw a 10% increase in sales to £1.9bn which goes to show they know what they're doing and the business turned out well.

On balance Berghaus are going to see fierce competition and need to get a competitive advantage in order to be able to compete. However should be okay due to two year successful trial.



ResultsPlus
Examiner Comments

A reasonable argument which shows analysis and evaluation. However, this is a very generic answer which scored 6 marks, which is the low end of level 4.



ResultsPlus
Examiner Tip

These questions are a great opportunity for candidates to use their own examples to demonstrate the problems and opportunities of breaking into a new market.

Question 5

A large number of candidates were able to come up with negative impacts of MNC's and then give an analysis as to how this might affect the host country. A reasonable number of candidates were able to use the case study in at least one of the reasons to help contextualise their point. However, some candidates either did not focus on the host country or were not able to use the context to answer the question and thus missed out on marks through poor application.

destroy infant industry

footloose MNCs.

5 Apart from environmental damage, explain **two** possible negative impacts a multinational corporation might have on the host country.

Multinational corporations (MNCs) can have the negative impact of destroying a country's infant industries. If a nation has a new, growing industry, they could be hugely affected by a MNC in the same industry joining the market as the MNC will benefit hugely from economies of scale meaning they can set prices extremely low and new companies can't compete. This causes infant industries to collapse.

Footloose MNCs can also have huge negative impacts. When MNCs enter a country, they employ many locals and use local suppliers, but if they decided to leave, those locals would be jobless and the suppliers would have no income which could cause huge problems to local economies and mean less income for a government through taxes.

(Total for Question 5 = 6 marks)



ResultsPlus Examiner Comments

A reasonable response, two effects are identified gaining 2 knowledge marks. The results/consequences on the host nation are then discussed for 2 analysis marks.

There is no application at all, so this response gained 4 marks in total.



ResultsPlus Examiner Tip

A good response that is awarded all 6 marks will make good use of the evidence for application or use relevant evidence of their own.

Question 6

This question was answered reasonably well overall. The most common responses focused on attracting FDI and helping domestic firms and some candidates made good use of the evidence.

Some candidates did struggle for a second reason and simply repeated the same point but phrased differently, so they were limited to 3 marks.

- 6 Explain **two** reasons why the UK Government might have decided to reduce the rate of corporation tax.

The UK Government may have done this to attract MNC's as well as and as a result decrease unemployment rate.

By attracting more MNC's back to the UK it can actually provide more money as a whole. In Evidence C we understand that 60 firms will be coming to the UK; collectively this means that the UK could actually be making more profit from taxes as a whole as an additional 60 firms will be paying as well. So by cutting taxes and appearing to lose money, the UK could actually be making more money from it. Secondly, due to ~~cut~~ reducing taxes MNC's will arrive, however, due to them arriving it means that more jobs will be available to the public meaning unemployment will go down meaning the economy will rise because people are able to spend more (Total for Question 6 = 6 marks) money.



ResultsPlus Examiner Comments

This response scored 5 marks. It shows good knowledge and analysis but unfortunately only one element of context and therefore did not gain both application marks available.



ResultsPlus Examiner Tip

Always try to bring in some context to get the application marks. The stimulus material will help if you are struggling.

Question 7

Most candidates were able to respond to this question and explain why there was a potential trade off between profitability and ethics.

Most candidates managed to use some specific examples taken from the text and emphasised the nature of the products that Bettys and Taylors sold and why ethical behaviour mattered. Some candidates however, simply wrote about the benefits of being ethical and did not address the question which specifically related to potential trade off.

- 7 Assess the extent of the trade-off between ethical behaviour and profitability for a company such as *Bettys & Taylors of Harrogate*.

Ethical behaviour shows how the business takes into consideration other aspects ^{eg. environment} of the business surrounding rather than profits only. There is likely to be a trade-off between ethical behaviour and profitability ~~at~~ as different stakeholders have different objectives. Bettys and Taylors of Harrogate is an ethical business as they have planted 3 million trees worldwide with the help ~~at~~ of their customers. This shows us that the customers are highly satisfied with their ethical behaviour as a growing consumer market is interested in how ethical a business is. Although, shareholders of the business expect and demand high returns from their investment leading to a conflict between ethical behaviour and profitability.

However, consumers these days are more ~~at~~ environmentally friendly and Bettys & Taylors of Harrogate being ethical would attract more customers leading to increased demand, higher revenues and more profits to reward shareholders of the company. Also, since Bettys &

Taylor's is a family that loves trees they are likely to ~~invest~~ invest high amounts towards conserving the environment and shareholders would not object as they are part of the family. Therefore there wouldn't be a conflict between ethical behaviour and profitability.



ResultsPlus
Examiner Comments

This is a good answer. Although fairly generic, it uses the extracts well to provide a contextualised answer.

7 marks awarded.



ResultsPlus
Examiner Tip

To obtain the final marks the candidate could have linked the fact that customers may be willing to pay higher prices for ethically produced goods and so restoring profitability. Alternatively, they could have suggested that APP may have faced costlier protests unless they adopted a more ethical stance.

Question 8

This was perhaps the poorest answered levels of response question, with a significant number of candidates failing to provide contextualised answers relating to the importance of Government policies.

Many candidates gave basic analysis with little or no context. Many candidates failed to provide any evaluation; by providing other factors which may be of more importance to a firm's decision as to where to locate.

- 8 Assess how important government policies, other than taxation, are to a business when deciding where to locate its operations.

Governments policies can be the deciding factor for businesses deciding to locate as it can either work in their favour or not. One government policy could surround ~~the~~ trade barriers which limits ^{international} businesses attempts to import into a country. If the government have a series of trade barrier like quotas ~~for~~ example it can make it difficult for the business to operate, as it gives domestic business an advantage and makes it harder for the ~~relocated~~ business to compete. However if the government had policies regarding trade-blocs ^(w/ a trade organisation for example) that is an agreement between two countries to reduce or completely remove trade barriers among countries, it can give the located business an advantage by being in that country. That advantage is essentially easier trade and a decrease in costs.

Another government's policy could be regarding fair wages or minimum wages. If the business is looking to locate labour but cheaply, this would not work in their favour. Countries such as the UK where there is a minimum wage is a good example of this. Thus the stopping of exploiting workers ~~costs~~ and as a result cheap labour can be a deciding factor. However countries with ^{no} government policy regarding minimum wages can allow freedom to businesses to pay as low or as high as they want. Thus giving many businesses cheap labour. Countries such as China and India are good examples of this.



ResultsPlus Examiner Comments

This response gives reasonable analysis with some context. However, it does not contain any evaluative points so gained 5 marks.



ResultsPlus Examiner Tip

Questions 8 and 9 have a lot of marks for evaluation (5 and 8 respectively) and can make the difference between a top grade and an average one. Make sure that you do fully evaluate and that you use suitable context throughout.

Question 9

A well answered question in terms of the level of evaluation and the level of wider reading and use of examples. This question was accessed by almost all candidates although high level 4 was rare as conclusions were often not fully developed or contextual.

Most candidates used the case study well to write about how Governments can fine MNC's and many candidates used their own examples of how pressure groups were able to impact the MNC's sales. The counter argument proved more challenging. Some candidates did not fully evaluate why they were not controlled and many candidates did not contextualise their evaluative points. The more able candidates provided a well balanced argument and considered other reasons why MNC's were not controlled, often with perceptive conclusions.

*9 Evaluate the extent to which the actions of multinational corporations can be controlled.

One way in which multinational corporations can be controlled is through pressure groups. Pressure groups can target corporations they do not believe in and therefore present them in a negative light. Pressure groups can boycott areas preventing businesses from constructing meaning times are delayed and costs are incurred. An example of pressure groups presenting companies in a negative light is when the incident occurred with BPs oil leak in the Gulf of Mexico. Due to pressure groups presenting companies in the press, MNCs will have additional costs depending themselves.

Another way in which the actions of multinational corporations can be controlled is through laws. Some countries have laws in place that will not allow MNCs to present that country in a negative light. This means the way in which their products are advertised/manufactured may need to be adapted.



ResultsPlus
Examiner Comments

This candidate started well but perhaps ran out of time. The response contains analysis with limited context but no evaluation.

5 marks given.



ResultsPlus
Examiner Tip

The specification requires candidates to study the extent to which MNC's can be controlled. It would be a good idea for candidates to have some examples of where MNC's have not been controlled.

*9 Evaluate the extent to which the actions of multinational corporations can be controlled.

There are many ways that multinational corporations can be controlled. One way this can happen is through the use of pressure groups. As described in Evidence 1 these can make change happen with Golden Agri resources and its previous actions of deforestation and then announcing it had a 'no deforestation' policy. Through the use of pressure groups. They work by giving the company a good press, ~~and~~ may include protests and rallies in order to make others aware of what it is they do. This then leads to the corporation ~~losing~~ getting a good ~~reputation~~ reputation and not attractive to consumers therefore sales start to fall meaning the only way they may be able to keep the business going is by changing the way they do things therefore actions of a multinational can be controlled.

Another way a MNC can be controlled is through the use of the government fining them if the actions are to be considered not acceptable. Such is the example of BP and the oil with the U.S Government fining them millions of dollars in order for it ~~to do~~ to do encourage proper procedure ~~in~~ ~~and~~ being done to ensure that nothing like ~~some~~ some happens again.

However it ~~is~~ may be considered that multinational corporations aren't are so powerful that the actions can be controlled. For example a government may turn a blind eye to behavior until because they want them to stay in their country so taking action out against them, may encourage to do so somewhere else, such as the example with Pepsi and telecom factories in China where people are in extremely poor working conditions, low pay and being exploited. To the point there are suicide nets around the building however no-one seems to be doing anything about the situation.

In conclusion I think that for a MNC's actions to be controlled it depends on the size and power of not only the company but the people who want to stop or action. For example an MNC would need to listen to a pressure group if it's not big enough or people are still buying their product. However it's also worth noting that other MNC's can control the actions of others. For example if one decides to stop doing something that gains more customers & is more ethical than does keep up with competitors in the market they will have to do the same.



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A good response that scored 13 marks. It is focused on the question set, makes good use of examples and rounds off with a conclusion.

Paper Summary

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

- Do watch out for command words such as 'Assess' or 'Evaluate'.
- Do add a conclusion to the longer questions.
- Do write concisely.
- Do watch your timing and do not spend too long on one question.
- Do use the language of the subject and avoid generalities.
- Do use examples to illustrate your argument.
- Do read the question carefully and answer the question that is set.

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