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Edexcel GCE

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

Friday 11 June 2010 – Afternoon Time: 1 hour 30 minutes	Paper Reference 6BS03/01 6EB03/01
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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, Questions 8 and 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

Economic Crisis Reaches China's Toy Factories (December 2008)

For over a decade Yang Yanjun worked in factories producing ornaments and toys; she earned up to \$200 a month; unimaginable riches that allowed her to build a house for her family back home.

The financial meltdown that has thrown so many American families into crisis might be even worse on this side of the world. The huge drop in international consumer demand has translated into a wave of factory closures that have made millions of Chinese workers unemployed. Until recently, Dongguan had 3 800 toy factories, producing a staggering 30% of the world's toys. A trade group estimates that 1 800 of them have closed or will close in the coming months.

5

Yang lost her job making hairpieces for Barbie dolls in October, when Smart Union Toys abruptly closed down. It had been a major supplier to Mattel and Disney, and with 7 000 workers was one of the largest employers in town. Most of the workers, migrants like Yang who came from central China, have gone home. Houses are empty, shops are shuttered and the area looks like a ghost town.

10

(Source: adapted from http://www.boston.com/news/world/asia/articles/2008/12/26/economic_crisis_reverberating_in_chinas_toy_factories?mode=PF)

Evidence B

Conditions in Chinese Toy Factories Brutal, Group Says

China Labour Watch (CLW), a US-based workers' rights group, said in a recent report that it found "brutal conditions" and exploitation of labour at eight Chinese factories that make toys for multinational corporations including Walt Disney and Hasbro. It said they paid "little attention to the most basic standards of the country; wages are low, benefits are non-existent, work environments are dangerous and living conditions are humiliating". CLW called on the companies to take steps to improve standards.

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Disney said it and its partners took claims of unfair labour practices very seriously, investigated allegations thoroughly, and took remedial action. Hasbro said it would conduct a thorough investigation.

(Source: adapted from <http://articles.latimes.com/2007/aug/22/business/fi-toys22>)



***4** Evaluate the likely value of an ethical trading policy for multinational corporations such as Disney and Hasbro.

A large rectangular area with rounded corners, containing 25 horizontal dotted lines for writing.



(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A: 35 MARKS



SECTION B

Answer ALL the questions in this section.

Evidence A

M&S to Expand in India with 50-store Venture (April 2008)

Marks & Spencer (M&S) will open at least 50 new stores in India over the next five years after agreeing a joint venture with India's Reliance Industries as the first step of an expansion plan outlined by Sir Stuart Rose, the Chief Executive of M&S. Under Indian regulations, foreign companies are allowed to own 51% of a retail joint venture. As a result, M&S's ready-made curries could be on sale in India within months. However, it remains unclear whether consumers used to buying fresh produce will have an appetite for processed food. 5

M&S has already been selling clothing in India since 2001, through a franchise agreement with Planet Retail, an Indian retailer. Sir Stuart said: "India is a very exciting opportunity and a market where there is the potential for M&S to become a major retail brand." Industry experts believe that India offers massive potential for Western retailers. It is the world's 12th biggest consumer market and is expected to rise to 5th by 2025. 10

The Indian retail industry is highly fragmented with mainly small, independent shops. Retail trade is expected to double in value by 2015. However, the prospect of foreign chains entering the market has triggered political concerns amid protests from independent retailers. 15

India's Reliance Industries has also held talks with luxury brands, including Versace, Bulgari and Cartier. The deals that emerge are likely to include both joint ventures and franchise arrangements.

(Source: adapted from *Times Online*, Steve Hawkes, 18 April 2008)

Evidence B

In India, Giving the Customers What They Want Means Offering the Art of Chaos

Kishore Biyani has risen from textile merchant to India's largest listed retailer. His Future Group has achieved sales of £476 million and now operates about 7 million sq ft of retail space. Inside one of his hypermarkets, the place is absolute chaos – deliberately so. Whereas Mr Biyani thinks that Western retailers such as Tesco have turned supermarket shopping into a science, he believes that he has made it an art form. He aims to recreate the colour and diversity of India in his 76 stores across 50 cities. 5

In one corner, the grain seller is yelling out prices. Elsewhere, a man pushes a 2000 rupee (£26) washing machine around in a trolley while announcing its bargain price over a megaphone. It is a format that has proved a success and exposed the underlying characteristic of the average Indian consumer: they prefer goods stocked in piles rather than neat rows, want to dig around in buckets to feel as if they are getting a bargain and won't set foot in a place that is quiet and tidy because that equals expensive. 10

(Source: adapted from *Times Online*, A. O'Conner, 14 January 2008)



Evidence C

Bharti Enterprises and Wal-Mart (August 2007)

Bharti Enterprises, a New Delhi conglomerate based on telecommunications, signed an agreement with Wal-Mart, the world's largest retailer, for a cash-and-carry venture. Traders in Delhi burnt images of Bharti and Wal-Mart executives during protests against the agreement. In Mumbai protestors threatened to boycott the sale of Sim cards and top-up vouchers that power the Bharti mobile network.

5

Mr Mittal, the founder and Chairman of Bharti, believes that his retail venture, creating 5 000 jobs over seven years, will help improve India's notoriously inefficient food supply chain. Up to 40% of fresh produce rots before it can be sold. Big and small firms can co-exist, he argues, particularly as new opportunities draw a better-educated younger generation away from the uneconomic business of small-scale retailing.

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(Source: adapted from *Times Online*, A. O'Conner, 27 August 2007)

Evidence D

Selected Indian Retail Statistics (June 2007)



- 720 million Indians to reach consuming age by 2010
- 55% of the Indian population will be under 20 years of age by 2015
- 10% annual growth in retail market since 2000
- A booming £200 billion retail market in India
- 5.5 retail outlets per 1000 population, highest in the world
- 25–30% annual growth in retail loans and credit cards

5

(Source: adapted from <http://buyerbehaviour.blogspot.com/2007/06/indian-retail-related-statistics.html>)



5 Explain why the Indian government might want to restrict foreign ownership of joint ventures to 51%.

Dotted lines for writing the answer.

(Total for Question 5 = 6 marks)



6 Analyse **two** likely reasons for M&S's decision to enter the Indian market.

(Total for Question 6 = 6 marks)



***8** Evaluate the difficulties multinational retailers might experience when entering a foreign market such as India.

Dotted lines for writing the answer.

(Total for Question 8 = 10 marks)



***9** Evaluate whether the Indian Government should encourage further foreign investment into the country.

Ruled area for writing the answer to question 9.



Ruled area for writing answers.

(Total for Question 9 = 15 marks)

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



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