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Pearson Edexcel
International
Advanced Level

Centre Number

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Business Studies

International Advanced Level

Unit 4: Business in a Global Context

Tuesday 14 June 2016 – Afternoon

Time: 2 hours

Paper Reference

WBS04/01

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.*

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.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- 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.

You should spend 60 minutes on this section.

Evidence A

Plastics Capital

Plastics Capital is a plastics manufacturer producing products for niche markets including plastic ball bearings, industrial films and specialised plastic rods. It has an annual turnover of approximately £35m.

The company exports to more than 80 countries around the world and sees a significant opportunity for growth in developing and growing economies. The global market for its products is comparatively small and at the moment the company feels quite safe in its current niche. 5

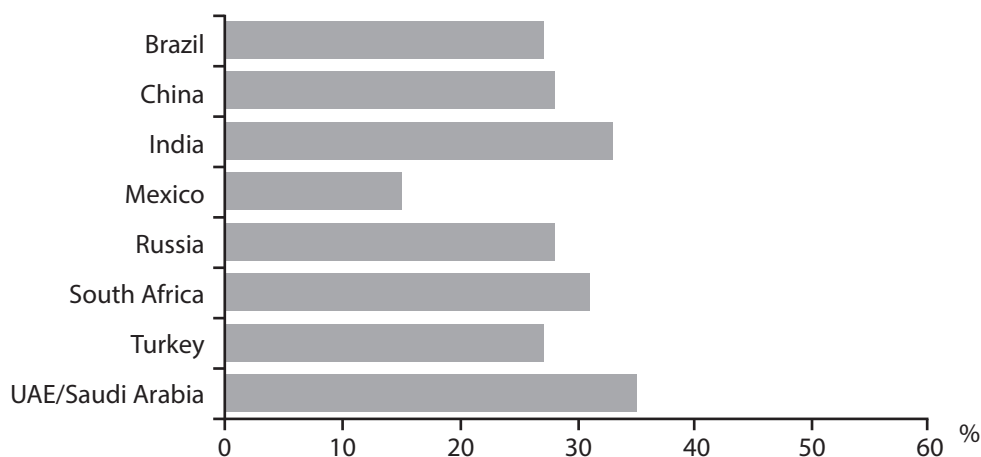
Although there are plenty of global growth opportunities, *Plastics Capital* believes that Africa has great untapped potential for export sales for some of its products. Entering African markets will require a great deal of research and information ahead of starting the export process. 10

(Source: adapted from: <http://www.barclayscorporate.com/insight-and-research/research-and-reports/tracking-the-export-journey.html>)

Evidence B

High-growth markets

% of UK companies planning to enter these markets in the next two years



(Source: adapted from: <http://www.barclayscorporate.com/insight-and-research/research-and-reports/tracking-the-export-journey.html>)

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Evidence C

Leeds Test Objects Limited

Leeds Test Objects Limited manufactures and also operates in a niche market making specialised products for testing medical imaging equipment. Exporting is an important part of the business. Approximately 70% of its turnover is exported to the European Union, the US, Japan, China, Indonesia, the Middle East and Brazil. The business has grown considerably in the last 13 years and is now ten times larger. Brazil is the newest market to which the company is exporting, and India has been identified as having further potential for expansion. 5

(Source: adapted from <http://www.barclayscorporate.com/insight-and-research/research-and-reports/tracking-the-export-journey.html>)

Evidence D

Trade deals have the potential to reduce trade barriers



The European Union, which negotiates trade deals on behalf of all member states, has entered Free Trade Agreements (FTAs) with South Korea, Chile, Mexico and South Africa since 2000. The most recent EU-South Korea FTA has had an immediate and sizeable impact upon the UK's trade relationship with South Korea. 5

UK exports to the country grew by more than 80% in 2012 after the FTA came into force. Growing from £2.5bn in 2011 to £4.5bn in 2012. The UK also ran a trade surplus of £1.4bn with South Korea for the first time in 2012, after running trade deficits since the mid-1990s. 10

The EU is in the process of negotiating many deals with other countries and regions including Canada, Japan, Singapore, India, and Mercosur, which includes Argentina, Brazil, Uruguay, Paraguay and Venezuela. 15

(Source: adapted from: <http://www.barclayscorporate.com/insight-and-research/research-and-reports/tracking-the-export-journey.html> & http://www.optic-mart.com/index.php/en/fta/?__store=en)



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1 (a) What is meant by the term growing economies? (Evidence A line 5) (2)

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(b) What is meant by the term global market? (Evidence A line 5) (2)

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(Total for Question 1 = 4 marks)



2 Explain **two** reasons for the existence of trade barriers.

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(Total for Question 2 = 6 marks)



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3 Analyse **two** possible reasons why UK businesses might be planning to enter the international markets shown in Evidence B.

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(Total for Question 3 = 8 marks)

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4 Assess the importance of trade blocs such as the EU to the growth of international trade.

(10)

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(Total for Question 4 = 10 marks)



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5 Assess the effects of operating within a global niche market on businesses such as *Plastics Capital* and *Leeds Test Objects Limited*.

(12)

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(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS



SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence E

Ploughing Ahead



Punjab Tractors Ltd (PTL) was taken over by *Mahindra & Mahindra (M&M)* in March 2007. Once the country's most profitable tractor company, *PTL* had suffered due to poor management. This had reduced it from being the second biggest business in the industry at the turn of the century to fifth place. Its share price had also dropped from around Rs 1 000 to about Rs 250.

5

Despite this, the takeover made sense for *M&M*. In 2005, its number one position in the industry had been threatened when its main rival Chennai-based *Tractor and Farm Equipment (TAFE)* bought *Eicher Motors's* tractor division, increasing its market share to 22%. This brought *TAFE* within striking distance of *M&M*, whose share was 31%. *M&M* needed to increase its lead and it did so by buying out *PTL*, which was strong in the North thus complementing *M&M's* strong presence in the West and South. By doing this *M&M* raised its market share to 40%.

10

15

	2007/08	2011/12
Production units	28,500	69,292
Revenue	Rs 969 crore	Rs 3 000 crore
Profit	Rs 80 crore	Rs 500 crore

(Source: adapted from <http://businessstoday.intoday.in/story/mahindra-results/1/190220.html>)

Evidence F



Mahindra

The takeover of *PTL* by *M&M* is a rare case of a takeover creating value both for the acquiring firm and the acquired firm. Overwhelming empirical evidence shows acquisitions usually create no value for shareholders of acquiring firms. There are two main areas in which companies make mistakes:

5

- Overestimating the synergies that might be gained and then overpaying for the acquisition.
- Not paying adequate attention to properly integrating the two businesses after the takeover.

10

M&M was careful to avoid these two mistakes.

(Source: adapted from <http://businessstoday.intoday.in/story/mahindra-results/1/190220.html>)



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Evidence G



Kellogg's started out in 1994 with the idea of "changing India's breakfast habits". *Kellogg's* went for the all-American cold cereal approach, when it would have made more sense to adapt *Kellogg's* products to Indian habits, which is to have fresh warm/hot foods for breakfast.

5

Unsurprisingly *Kellogg's* did not do very well and it has taken them a long time to realise that India was different. *Kellogg's* is now beginning to adapt to the Indian market and amongst other things, it has launched oats, which can be consumed hot with milk, and flavoured corn flakes more suited to the Indian taste (mango, etc).

Also in India in 1994, *Hindustan Unilever* introduced *Walls* frozen desserts based on vegetable fats (rather than ice cream, which is based on milk fat). When the company found that Indians still had a preference for "real" ice cream, it bought *Kwality's*, which had a strong distribution franchise and market leadership in several key consuming markets. Unfortunately, they created a hybrid called *Kwality Walls* which diluted the brand and they still lag behind the market leader *Amul* which emphasises the milk content of its ice cream.

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(Source: adapted from <http://www.firstbiz.com/corporate/how-the-mnc-ego-blinded-kelloggs-coke-and-unilever-in-india-48185.html>)

Evidence H

Key Success Factors Product Adaptations

There is no "one size fits all" in International Marketing. Products have to be adapted to regional needs in order to be successful. Often, product adaptations will be a legal requirement due to different safety, language and efficiency laws.

Recognising the Differences between each Country in a Region

No country has the exact same legal proceedings, history or culture. A product marketed to Germans should not be marketed to the Swiss in the same context, even though they share a common language. Regional differences need to be understood and marketing plans should not be copied from one region to another.

5

Understanding Different Cultures

Understanding the values, beliefs, assumptions and superstitions of your target market can aid you in all aspects of the business including: marketing, human resource, packaging and product adaptation decisions. Understanding these differences, however, is often difficult. Religion, social structure and communication all have a strong impact on a country's cultural make-up. Understanding the culture in which you intend to trade allows you to make informed business decisions with partners, employees and customers.

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(Source: adapted from <http://www.tradestart.ca/success-factors>)



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6 Evaluate the benefits of inorganic growth for a multinational such as *Mahindra & Mahindra (M&M)*.

(20)

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(Total for Question 6 = 20 marks)



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7 Evaluate the importance of social and cultural differences when trading internationally. (20)

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(Total for Question 7 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS



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