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## Examiners' Report January 2010

### GCE Business/Economics 6BS03/6EB03

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## Unit 3 international Business – 6BS03/6EB03

This is the first time that this part of the new specification has been examined. Some of the topics are new to centres and candidates, whilst some may have been familiar to teachers of the globalisation option on the old Nuffield spec. Early indications are that the exam appears to have worked well, producing a wide range of responses across the board. Able candidates did well and showed considerable ability and insight, often with a pleasing awareness of the real world.

A number of 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 nearly two years of studying this subject; candidates really ought to be able to use the correct terminology and apply concepts and theories as necessary. Other candidates used too much jargon at the expense of the context and thrust of the question. This was particularly so on Q7 (see below). As in the preceding specifications there were some candidates who ignored the questions set and produced their own preferred responses.

Quality of language was often poor, (startergies, stratedgies, affect/effect, loosing out etc.) in some cases to the extent that meaning could not be reliably interpreted. Elsewhere the use of hyperbole did little to enhance the answer. This was not only evident in the specialist vocabulary of the subject, but often in general English usage. The key is to write succinctly, relevantly and without repetition. Some scripts were almost unreadable; centres should be aware that special consideration is often given for the use of laptops or an amanuensis; this would benefit not just the candidates but hard-working examiners as well!

Overall the questions appeared to work well although many potentially good candidates often lost marks by ignoring commands such as "Assess" and "Evaluate". There were few signs of pupils being unable to complete the tasks in the allotted time, although we are aware of the need for more space for answers in the exam booklet.

## Section A

## Question 1

The question asks for two reasons why a “company such as Dell” may wish to relocate. The response therefore does not have to use Dell as an example, although most candidates did. It also means that there must be two reasons given, and that each should have an equal response. Nearly all candidates used reduced labour costs as one of the reasons.



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Examiner Tip

For each reason we are looking for an identification of a reason (knowledge 1 mark), then showing how that reason might affect a firm such as Dell (application 1 mark) and then developing that reason by perhaps explaining the consequences (Analysis 1 mark).

- 1 Briefly analyse **two** reasons why a company such as Dell may wish to relocate its manufacturing operations to another country.

A ~~firm~~ company such as Dell may be attracted to relocation of manufacturing operations to another country for many reasons. One reason may be due to cheaper labour and cheaper availability of resources, if this is available this means a company <sup>(Dell)</sup> can reduce their total cost in an attempt to increase profit margins or reduce selling price to increase demand. Another reason may be due to an aid package being available in Dell's case a €52.7 million aid package. This package would make it an attractive relocation for Dell.

(Total for Question 1 = 6 marks) **4**

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Examiner Comments

Here the candidate has started well. The first reason, cheaper labour and resources are identified, then applied to reducing total costs and then the consequences of that are given – 3 marks. The second reason is identified, the aid package, but it is not then applied or analysed. To say that it would be “an attractive location” is a vague and general phrase and does not say why, or how, it would be so, or what that might mean for Dell. So, only 1 mark here, and 4 overall.

## Question 2

Two reasons were needed and marks were awarded again for knowledge, application and analysis. However in this question that meant 4 marks for each reason with 2 marks for the analysis; candidates had to go a little further than with Q1.

Only very weak candidates did not see the 'inducement' aspects in respect of this package. Most recognised the economic benefits for the Polish government and the multiplier effect, although only better candidates actually used the terminology.

## Question 3

Two stakeholder groups were required here, most commonly used were employees and shareholders. Some did indicate suppliers and consumers and in this latter case, then had difficulty indicating the impact in any meaningful manner. Some 'mirroring' answers were given relating to the 'employees in Ireland and the employees in Poland'. The full mark answers usually related to the impact on employees and the Polish government. There were 4 marks available for each of the stakeholders with an extra 'floating' evaluation mark available for good evaluation on one of the chosen groups,



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Examiner Tip

*Command words* are so important. When you see 'Assess' and 'Evaluate' at the start of a question they are telling you that there are some evaluation marks to be had. How many there are depends on the question. Have a look at the mark scheme and familiarise yourself with where these marks are awarded, if you are unsure, ask your teacher.

*Evaluation* does not have to be complex or difficult. Just remember that if you are being positive about something, there will always be a drawback you could mention. If it all seems like doom and gloom there will always be a silver lining somewhere. Remind yourself to use phrases such as, 'However...' or 'On the other hand...' as a prompt to evaluate. It is usually the evaluation marks that separate the good candidates from the rest.

- 3 Assess the likely impact on **two** stakeholder groups of Dell's decision to re-locate its manufacturing to Poland.

Using stakeholders group one as employee's at its plant in County Limerick. It clearly has a negative effect as 1900 of the 3000 jobs are lost, almost a 64% of jobs being cut. This massive amount of redundancies is also passed onto the government as 1900 more unemployed are trying to find ~~the~~ new jobs in a decreasing <sup>Job</sup> market state.

Using stakeholder group two as shareholders in Dell. It is likely to be seen as a positive move for the company, with reduced manufacturing costs and an expected increased revenue from the increase of international trade and finally reduced overheads of transportation of both raw materials in & finished products out; there should be no speculation of the move being a negative impact on the company.



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Examiner Comments

This is not a bad answer; the candidate understands the stakeholder concept and applies it well to the question. For each group the candidate was awarded 3 marks making a total of 6 out of 9. This is as much as they could have achieved because they have ignored the command word 'Assess' in the question. There are 3 evaluation marks which cannot be awarded. All this candidate had to do to access these marks was to add a comment at the end of the first response, such as, 'This may be even more difficult in the current recession', or, 'the length of time they remain unemployed may depend on their occupational mobility'.

On the second response regarding shareholders, the last sentence is unfortunate and rules out any evaluation. Much better would have been to add a comment such as 'In the short run, the costs of moving may reduce profitability but once the savings begin to take effect the profitability should rise and benefit the shareholders'.

#### **Question 4**

This was possibly the least well answered question on the paper, with many candidates not too sure of the role or purpose of the WTO. Various powers were wrongly ascribed to the WTO including the power to fine MNCs and stop them exploiting their employees and generally act as the world's policeman. Increasing membership of the WTO does not mean free trade but we were tolerant on that.

However, the majority understood that increasing membership of the WTO would lead to greater liberalisation of trade and could see the benefits to MNCs such as Dell. Only the more discerning candidates gave benefits and potential problems; as a result, evaluation marks tended to be low.

## Section B

## Question 5

In some ways this question was similar to Q1, two reasons to be given and 3 marks each. By and large candidates answered this question well; they seemed to have good knowledge on India and understood the idea of tariffs well. Some candidates recognised 'cultural issues' as well as protecting 'domestic businesses' but failed to link well to the economic side. Better candidates easily gained full marks here.

5 Explain **two** likely reasons why India might impose high tariffs on imports such as cosmetics.

Protectionism of there ~~can~~ be own domestic beauty market. The marketing, innovation and power of MNC companies will easily destroy smaller domestic markets, therefore tariffs raise the price of the MNC products to make domestic products more attractive.

Another reason is ~~to~~ so the government receives more taxes. Tariffs are taxes on imports, so any tax will go to the government. 65% tariffs are very high so the government will receive a large amount of money from this. The government can then spend the money on improving the Indian economy in a quest to become a global superpower.

(Total for Question 5 = 6 marks) **6**



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Examiner Comments

This response has been included to give an example of a very good response. This candidate shows clear understanding; the two reasons are balanced and make good use of the evidence from the paper to reinforce the reasons. Full 6 marks given.



- 5 Explain **two** likely reasons why India might impose high tariffs on imports such as cosmetics.

In India there is a lack of water in many parts so people will not be able to use these products. The government may prefer the traditional Indian way of grooming with Hair oil and may not want the imported imports from America. So ~~it~~ put a high cost on the import meaning that the domestic product will go up in price turning away ~~to~~ customers.

(Total for Question 5 = 6 marks) **3**



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Examiner Comments

This response shows the need to think carefully about the requirements of the question. There is nothing wrong with what is said but it is only one reason and the question asks for two. So it can only get 3 marks.

### Question 6

Students used the evidence well to access at least 2 if not more marks, but not many put it all together to arrive at a coherent developed analysis. Most candidates understood the mechanism of how this strategy worked and described it well, but relatively few appreciated that traditional marketing methods were unlikely to work in India. Hence the need to find a different way to communicate with their intended consumers and build a market from scratch.

### Question 7

Mergers and takeovers were generally understood well. Very rarely was a candidate unable to explain what they were. The problem for many candidates was that they knew the subject too well and simply trotted out a generic answer rather than thinking about what the question was actually asking. Better candidates made good reference to the strategy used by L'Oreal in acquiring various companies and linked this to the success of L'Oreal, but even then many did not evaluate the importance of mergers and takeovers to the company's success. Some candidates evaluated mergers and takeovers themselves and so missed the point of the question. What we were looking for was some comment on other factors that may have helped in L'Oreal's international success such as elements of the marketing mix.

**ResultsPlus****Examiner Tip**

**Context** is particularly important in this paper and indeed all the papers linked to this one. Context means using the setting of the question in your answer, in this case it means talking about L'Oreal's actual mergers. The candidate below would have improved their answer by, for example, saying something such as 'L'Oreal's acquisition of Maybelline was a way of expanding quickly and has subsequently helped them to make significant inroads into China and gain a 44% market share'.

A good way of thinking about context is to try using another company's name (e.g. Cadbury) instead of L'Oreal in the answer. If it still makes sense then there is no context, if it changes then there is context. Try it on the question below and then try it in my suggestion.

7 Assess the likely importance of mergers and takeovers in L'Oréal's international success.

As apposed to setting up ~~two~~ operations in foreign countries it would be alot more cost effective, and to merge or take over a domestic rival.

The rivals often have alot of knowledge of the culture and traditions of the people of UK market, Thus allowing them to market in an effective way, This return will increase their market share and increase profits

Merges and takeovers may however, be very expensive in the long term short term, as this includes start up costs, marketing etc. It may take L'Oréal a while to really benefit from profits their investment -

5



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Examiner Comments

This example illustrates some of the points made in the introduction. This candidate clearly understands mergers and takeovers and looks at some of the benefits. There is also some evaluation, but as mentioned above it is an evaluation of mergers and takeovers themselves and does not help in answering the question. It also lacks context (see examiner's tip) and so only achieved 4 marks.

### Question 8

Most students appreciated the differences in global marketing strategies open to MNCs and most responses showed clear understanding of L'Oreal's particular strategy of focusing on individual market segments. Theory was usually linked to the context successfully and the benefits shown for L'Oreal. Where many students failed to gain higher marks was in the evaluation of such a strategy. Those that did evaluate often only did so from a narrow perspective such as cost and did not take full advantage of the 5 evaluation marks on offer.

- 8 Evaluate the likely merits of L'Oreal's global marketing strategy of focusing on specific market segments.

A market segment is part of a much larger market. In L'oreal's case ~~is~~ ~~the~~ they can tailor particular products to suit local markets, thus applying the globalisation principle of acting global & thinking local. They advantage of this is that instead of marketing a product suitable for white skin, they can <sup>targeted</sup> ~~targeted~~ a product <sup>market</sup> for Indian skin. As a result demand will likely increase. This will bring with it huge financial benefits in a fast growing economy, such as that of the cosmetic industry which according to evidence C in the years 2003 to 2006 increased by €0.4 billion (33%). In my opinion L'oreal's global marketing strategy should stand to gain significantly in terms of L'oreal sales.



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Examiner Comments

This example illustrates some of the points made in the introduction. This is a good response as far as it goes. There is knowledge application and analysis, and the use of context is good, but there is no evaluation. In this question there are 5 out of the 10 marks given to evaluation, without it this candidate could only achieve 5 marks.

- 8 Evaluate the likely merits of L'Oréal's global marketing strategy of focusing on specific market segments.

~~Focus~~ Focusing on specific market segment means that a company is able to find niche markets and ~~also~~ adapt their marketing accordingly.

By focusing on such specific markets, should show an increase in sales. This is because ~~they~~ <sup>L'Oréal</sup> ~~are~~ ~~change~~ are changing their products to fit specific consumer needs such as ~~decrease~~ making shamer gel foamless in India as there is water shortages. This should evidently increase the demand for the products.

However, it also means that costs will be very high as they need advertise differently for each ~~of~~ market as well as changing the actual ~~of~~ product itself.

Therefore, ~~these~~ means that L'Oréal's idea of focusing on niche market should boost the demand for products; however, it will also result in very high costs.



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Examiner Comments

This example does have some evaluation but it is limited. It actually scored 7 marks, not a bad mark at all but it could easily have gained some more. For example the candidate could have explained why costs increase by contrasting it with a business such as Coca Cola that make very few changes to their product globally and thus benefit from economies of scale. Another factor that helps answers achieve higher valuation marks is the use of a conclusion in context, perhaps pointing out that the cosmetics business is particularly suited to this strategy. Or, weighing up the pros and cons and concluding that for L'Oréal, given the figures in the stimulus material, it has clearly been a success.

### Question 9

On the whole, a disappointingly answered question. This final question is deliberately designed to be as open as possible and to give students the chance to show their skills and understanding and bring in a wide range of ideas and examples. This is why the nature of the growth or the type of UK businesses was not specified but left to the student to interpret, examiners were instructed to reward all plausible answers. Unfortunately, all that most did was to show how structured and limited their skills of analysis and evaluation actually were. Considering that India is a part of the specification ("*...how firms and individuals may be affected by the growing economic power of India...*") it is not unreasonable to expect students to know something about the topic!

There were several common problems with student responses. Firstly, there was a distinct lack of specificity with regard to British businesses. Far too many students talked of British business as a whole and did not appreciate the diverse nature of businesses that may or may not benefit from India's continued growth. Secondly, far too many students analysed British businesses relocating/outsourcing to India and dwelled on the positive aspects of such a move, not really addressing the question which was about the effects of India's growth, and not the desirability or otherwise of India as an off-shoring production site. Lastly, several students wrote about the impact of India's growth on India, again missing the point of the question.

\*9 Evaluate the likely impact on British businesses of India's continued growth.

If India keeps growing at the rate it is this could have advantages + disadvantages to British businesses. An advantage may be Direct Foreign Investment to the UK by Indian businesses. Perhaps even ~~the~~ UK businesses will want to Merge or takeover Indian businesses as their economy becomes ~~big~~ increased. UK businesses may seek opportunities in India's growth such as the potential for companies such as Railway manufacturers to invest in helping India's infrastructure - which they lack - but clearly need. Another opportunity is Education - which India also lacks. However there are also implications for UK businesses as India's economy continues to grow. Firstly increased competition by bigger & stronger Indian brands may

Joint Binary growth in particular markets +  
 may make some UK businesses collapse  
 Cheap Imports to the UK of products  
 they are better at producing than us  
 may also push our businesses  
 out the way. This may cause the UK to have to put up trade  
 barriers to India = a VERY Controversial Subject + idea



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### Examiner Comments

This example achieved 9 out of 15. It starts off rather vaguely but then improves as it gets specific and uses the context of railway manufacturers taking advantage of India's need for infrastructure as it grows. Education is also mentioned as a key area. Unfortunately it then resorts to vague assertions to finish with. It does have evaluation, which is what takes it to L4 on the mark scheme but it would have been so much better with a few more specific examples. Tata in the steel and automotive industries or Bharti in telecommunications could have been used as potential threats and increased competition to their UK counterparts.

Just for the record, the UK's bilateral trade with India is currently worth £12.6bn. The UK is the biggest European investor in India and India last year overtook Japan to become the biggest Asian investor in the UK by number of projects. Over 600 Indian firms are represented in the UK, of which about two thirds are in information technology or software. Last year alone, almost 4,000 new jobs were created in the UK by Indian investment. For UK retail firms India is a potentially very lucrative market. Infrastructure is an important area of opportunity. India has 80,000 kilometres of road that need either expanding or building and a UK-India roads group was recently set up. India is also the world's largest market for whisky, with 90 million cases sold every year.



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### Examiner Comments

**China and India.** You are not expected to have a detailed knowledge of India or indeed China, but they are part of your specification. As background reading and as support for your lessons, keep an eye out in the business pages and blogs for relevant stories. Try and pick up one or two case studies of how businesses from these countries are interacting with the global economy as well as how other outside businesses are getting on in those countries.

## Statistics

### *6BS03 & 6EB03*

Grade	A	B	C	D	E
Grade Boundaries	53	48	43	39	35





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