Write your name here

| Surname | Other names |
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Centre Number | Candidate Number

# Edexcel GCE

# Business Studies/Economics and Business

## Advanced
## Unit 3: International Business

Monday 25 January 2010 – Afternoon
**Time: 1 hour 30 minutes**

Paper Reference
**6BS03/01**
**6EB03/01**

**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.*
- 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, Question 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**

### Dell Slashes Jobs in Ireland in 2009

More bad news for Ireland's troubled economy. Just days after luxury crystal and china maker Waterford Wedgwood went bust, Ireland's biggest exporter announced major job losses.

In January, Dell, the world's second largest maker of personal computers, announced plans to cut 1 900 of 3 000 jobs at its plant in County Limerick, Dell's largest plant outside of the U.S. The company is shifting its manufacturing from Limerick to Lodz in Poland. European Union officials, meanwhile, have pledged to investigate the €52.7 million aid package the Polish government used to attract Dell away from Ireland.

Dell, which set up operations in Ireland in 1990, is the country's biggest exporter and its second largest company, accounting for an estimated 5% of Irish Gross Domestic Product (GDP). Dell says it will continue to employ approximately 1 000 staff in Limerick to coordinate its supply chain, manufacturing and logistics for Europe, the Middle East and Africa.

Investments from multinationals such as Dell were instrumental in the creation of the boom in Ireland in the 1990s. Now there are fears that other multinationals such as IBM, which employs 3 700 people near Dublin, may follow suit.

(Source: adapted from http://www.businessweek.com/globalbiz/blog/europeinsight/archives/2009/01/dell_slashes_jo.html)

**Evidence B**

### Ukraine Joins the WTO in 2008

Ukraine joined the World Trade Organization (WTO) after 14 years of negotiations, a milestone for the former Soviet state that helps clear the way for a valuable free trade agreement with the European Union.

The deal is expected to lift living standards and bring investment to one of Europe's poorest countries. Ukraine, with a population of 46.3 million and an estimated Gross Domestic Product (GDP) of $90 billion in 2007, became the largest former Soviet state to join the WTO to date. Russia is also negotiating for membership.

President Uschenko of Ukraine said membership meant "better living standards, higher wages, improved social standards and economic life."

(Source: adapted from http://www.nytimes.com/2008/02/05/business/05cnd-trade.html?ex=1359954000&en=bc48689709f68e36&ei=5088&partner=rssnyt&emc=rss)

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

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

**2** Analyse **two** reasons why the Polish government was willing to pay a €52.7 million aid package to attract Dell.

**(Total for Question 2 = 8 marks)**

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

**(Total for Question 3 = 9 marks)**

***4** Evaluate the likely impact that increasing membership of the WTO might have on a multinational such as Dell.

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**(Total for Question 4 = 12 marks)**

**TOTAL FOR SECTION A: 35 MARKS**

## SECTION B

**Answer ALL the questions in this section.**

**Evidence A**

### Because They're Worth It

L'Oréal, the world's largest cosmetics business, has transformed itself from a French company focused on white women into a global giant whose skin, hair and cosmetic products are targeted at consumers from Dallas to Delhi, with products ranging from anti-ageing potions for older Americans to lipsticks for young Chinese.

Although L'Oréal takes a global approach, the company's marketing strategy and use of brands is focused on market segmentation and the cultural differences of its consumers. In China, for example, L'Oréal reckons that if Miss Yu rides in a car, she's probably a Lancome consumer, but if she rides a bicycle, she's suited to the Maybelline brand.

L'Oréal tailors products to local markets. In India for example, the tendency of some Indian skin to develop age spots and sun marks has helped sales of the anti-marks cream Garnier Skin Natural Light. Also, L'Oréal takes potential water shortages in India into account by making sure its shower products generate less foam.

In the U.S., L'Oréal is turning its attention to the rapidly expanding ethnic-beauty market, projected to be worth up to $14.7 billion annually by 2008. L'Oréal bought two black-centred companies, SoftSheen and Carson, and integrated them into a single brand that the company sees as a world-beater.

L'Oréal has also acquired Maybelline, the U.S. mass-market cosmetics business. It revamped the brand and called it Maybelline New York. Sales of Maybelline outside the U.S. grew rapidly and it is now the preferred cosmetics brand for 44% of Chinese women.

(Source: adapted from http://www.time.com/time/magazine/article/0,9171,993211,00.html)

**Evidence B**

### Sharp-eyed L'Oréal Gets Head Start in India

Traditionally, Indian hairdressers knew little of colour beyond a jet-black rinse or a streak of henna. That is not surprising as 85% of Indian women have long, straight hair. Their natural tone is dark and they prefer home remedies recommended by their mothers. Most still use hair oil – vegetable oil, no less – rather than fancy conditioners.

It is a challenging environment for any company trying to sell packaged beauty products – to the majority of India's 1.1 billion people, they are not only unknown, but also an extravagance. The solution for L'Oréal, the world's largest beauty and cosmetics group, was to create a market from nothing.

Since L'Oréal opened its first hairdressing academy in Mumbai in 2006, 73 hairdressers have graduated. The six-month course turns out professionals capable of working as a junior in one of the select, but growing, number of international-standard salons in India's big cities.

In addition, the company has trained more than 30,000 hairdressers in India in the use of its products. It has also helped to establish about 300 salons in the past five years. The theory is simple: if you train people they will use your products and if there is no natural demand for your goods, stimulate it.

(Source: adapted from *The Times*, 21 April, 2007)

**Evidence C**

**The Indian Cosmetic Market in Figures**

| (Data in Euros) | 2003–04 | 2005–06 | Increase |
|---|---|---|---|
| Cosmetics | 1.2 billion | 1.6 billion | 33% |
| Skincare | 300 million | 410 million | 37% |
| Haircare | 600 million | 725 million | 21% |
| Fragrances | 200 million | 262 million | 31% |
| Deodorants | 141 million | 227 million | 61% |
| Oral Care | 490 million | 638 million | 30% |
| Soaps | 905 million | 909 million | 0.10% |
| Male Grooming | 165 million | 253 million | 53% |

(Source: adapted from http://www.in-cosmeticsindia.com/files/indian_market_presentation_ubifrance.pdf)

**Evidence D**

**Cosmetics Companies Target India**

The past two years have seen an explosion in household-name beauty groups setting up in India, and the market shows no sign of slowing this year. It is worth £2.5 billion with 20% annual growth and is the world's third fastest growing market for personal care raw materials. Jonathan Price of the Body Shop said that "breaking into the Indian market requires excellent timing; you have to be prepared to react very quickly when retail sites become available. Having the right franchise partner is crucial as they bring the knowledge to ensure the right site selection".

Selling via franchisees is not the only way of entering the Indian market. MAC, part of the Estée Lauder Company, is known as one of the best brands of make-up for non-white skin. They set up a joint venture with Shoppers Stop, an Indian retail company, to open a stand-alone MAC store in Mumbai and more are planned.

There are some barriers to growth in the Indian market. The cost of importing products is very high: the average import tariff on cosmetics is 34.4%, but can rise to 65% after other taxes.

(Source: adapted from *The Times*, 1 December, 2007)

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

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

**6** Analyse why L'Oréal decided to use hairdressing schools as a way to create an Indian market for their products.

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

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

**(Total for Question 7 = 8 marks)**

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

**(Total for Question 8 = 10 marks)**

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

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**(Total for Question 9 = 15 marks)**

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

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