

Examiners' Report  
January 2012

GCE Business Studies 6BS03 01

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# Introduction

## Unit 3 international Business – 6BS03/6EB03 – January 2012

The exam covered many aspects of the specification and enabled candidates to demonstrate the full range of assessment objectives. The paper differentiated well and most candidates showed considerable evidence of thorough preparation and **some** were able to use a wide range of examples to support their arguments. There was little evidence of candidates running out of time. Feedback from examiners would suggest that Section A was found to be more accessible than Section B.

Many centres appear to have benefited from previous exams and the feedback that followed. 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, with their arguments reinforced by valid examples. Yet elsewhere, there were a couple of questions in particular that many candidates misinterpreted, to their detriment. On Q4 many candidates did not know what a 'global niche market' was, although it is a major part of the specification. On Q7 large number did not have an understanding of the term marketing, even though again, it is a major part of the unit and is also synoptic, appearing in the earlier units.

Some candidates weakened their responses by failing to apply the terms and theory they had been taught, using generalities and non-specialist language. This does not convince examiners that answers deserve high reward. For example, forecasting that GSK would "do very well", or "that things would be good" is unlikely to gain marks for analysis.

The main reasons for otherwise able candidates underachieving are not heeding command words and not reading the questions carefully enough. Command words are still being ignored by a sizeable number. Instructions to 'Assess' and 'Evaluate' were not followed by some candidates.

Significant numbers of candidates missed out on marks because they did not answer the question that was set.

## Question 1

This was a straightforward introduction to the paper and is a main part of the specification. Most candidates were able to identify two reasons but often failed to get the application marks because they lacked context. Where candidates fell down, was in failing to identify two separate reasons, and then failing to clearly analyse each one.

1 Explain **two** reasons why GSK might want to enter the American market with Lucozade.

6 Q01

GSK wants to tap into the profitable market of America, Gatorade made \$2.6 billion in sales last year compared to GSK making £376 million last year. GSK wants to enter the biggest nutritional healthcare market in the world where a demand for their product will increase sales and profits. They may also choose to extend their products lifecycle, Lucozade may be saturated in Britain and GSK doesn't see a way to increase market share over 50% in Britain. By launching more Lucozade in other countries, production will increase so they will gain from production economies of scale and reduce production costs.



**ResultsPlus**  
Examiner Comments

This response identifies two clear reasons with clear application and context and analysis. A good answer that scores the maximum 6 marks.

1 Explain **two** reasons why GSK might want to enter the American market with Lucozade.

4 Q01

They might want to enter Lucozade into a new market if their Domestic Market is or has become saturated. If their market has become saturated this means there is lots of competition and small potential growth so in order to increase turnover and therefore profitability they seek new foreign markets in this case the United States. Also by moving into the potentially lucrative United States market they are spreading risk. For example if their brand suddenly goes out of fashion in their Domestic Market then they can fall back on their American consumers to keep their business afloat.



**ResultsPlus**  
Examiner Comments

Two reasons given with analysis but lacking in application. Total marks 4.



**ResultsPlus**  
Examiner Tip

If the candidate had added to the first reason something like 'They already have about a 50% market share in the UK...' then a mark for application would have been added.

## Question 2

This was answered well by many candidates, however with 8 marks available, some candidates failed to analyse their suggested difficulties in sufficient depth to access the 4 marks available for analysis. The most common difficulties suggested were the strong competition and the downturn of the economy

2 Analyse **two** likely difficulties facing GSK in their attempt to penetrate the American market with Lucozade.

4 Q02

The American market is already dominated by two very large energy drink companies. Both Gatorade and Powerade are much larger brands than Lucozade. It will be difficult to penetrate a market that has such strong competition. The American market will always try to buy products made by American companies rather than foreign ones too.

Another reason the American market will be hard to penetrate is due to the decline in sales over the past couple of years. Consumers are spending less on luxury products such as energy drinks and concentrating more on necessity goods. This downturn in spending is due to the recession which affected America badly.



**ResultsPlus**  
Examiner Comments

The first reason has knowledge and application but it lacks analysis, no explanation as to why it might be difficult or what the consequences might be. The assertion about American consumers' loyalty adds nothing. The second reason has knowledge (the recession) and some analysis (less spending on energy drinks) but that is all. 2 marks per reason – 4 marks in total.

2 Analyse two likely difficulties facing GSK in their attempt to penetrate the American market with Lucozade.

8 Q02

One major difficulty is the competition. GSK will have to compete with Coca-Cola, PepsiCo etc. These are worldwide global ~~brands~~ companies. They already have high market share, and it is going to be very difficult for GSK to persuade consumers to drink Lucozade rather than Gatorade or Powerade. It is going to take a huge amount of cash to market the product ~~prop~~ successfully etc, if GSK is unsuccessful they will have lost a lot of cash trying to penetrate the American market, this cash however, could have been invested elsewhere, if they fail.

Another difficulty is the fluctuations in the exchange rate. GSK will have to convert the price of Lucozade into the Dollar, this takes time, and each day the ~~price~~ exchange rate is different. This will make it hard for GSK to plan for Lucozade because they aren't able to ~~predict~~ <sup>sales revenue</sup> as good as you would be able to if you didn't have to convert currency. The fluctuations in the exchange rate may be passed on to the consumer, on day they may be paying \$1 another \$1.20, ~~customers may then~~ This may make the price more expensive than alternatives, and make it harder to enter that market (Total for Question 2 = 8 marks) **8**



**ResultsPlus**  
Examiner Comments

A good answer. Two reasons for 8 marks and so 4 marks each. First reason with application and good analysis gets 4 marks and the second reason is also valid applied and has good analysis and gets 4 marks. Total marks 8.

### Question 3

Some candidates gave a lot of stakeholders to start off and thus wasted a little time when they could have concentrated on the two chosen ones. Some candidates offered managers and employees as two separate groups of stakeholders when they are the same, so they did not get the credit for two different groups. A similar problem arose for owners and shareholders. A proportion of candidates ignored the command word to assess and only gave either the negative or positive impacts. Strong evaluation was not often seen.

3 Assess the likely impact on **two** stakeholder groups of GSK's planned global expansion.

7 Q03

A stakeholder is someone who is affected by the actions of a firm. Therefore a stakeholder who will be affected by the planned global expansion of GSK would be the ~~American~~<sup>foreign</sup> competition such as Gatorade, ~~and~~ Powerade and successful sports drinks in China, Mexico and Brazil.

This is because Luozade's introduction in these countries would lower the market share of the competition because Luozade would take some of their sales and therefore profit. However this depends on the success of Luozade, if Luozade is able to become popular in countries such as China and America it will have a significant negative effect on the competition, however if they do not become successful the impact will be much less because Luozade will hardly take hardly ~~not~~ any of the sports drink market share.

Another stakeholder that would be affected by Luozade's expansion would be the government of the affected countries ~~this is because~~. This is because Luozade would provide more jobs for the people of these countries through production and distribution of its sports drinks. Therefore, due to the multiplier effect, people will have more money ~~which the end~~ and therefore will increase spending which will cause the government to receive more money through taxes and therefore become richer as a result.



**ResultsPlus**  
Examiner Comments

A reasonable answer, the first stakeholder has good use of context, analysis and some evaluation. It reached L4 and 4 marks. In the second there is no evaluation but does have analysis and reaches L3 3 marks. Total 7 marks



## Question 4

Many candidates struggled with this question as they failed to understand the term "global niche market", and therefore struggled to explain the benefits of operating within such a market. This was surprising, as it is a major item on the specification, candidates should always take care to revise all topics.

The main aspect of entering a global niche market was picked up well by other candidates and with good use of context, although only the better candidates could extend the comments in respect of economies of scale being limited and the need to differentiate or develop differing strategies. Some candidates made good use of examples to back up their evaluation and were duly rewarded.

\*4 Evaluate the benefits of operating in a global niche market for a brand such as Gatorade.

8 Q04

One benefit for Gatorade operating in a global niche market is they will be able to charge premium prices. Because it's a premium product offered and advertised in places that only ~~people~~ consumers with a lot of cash go, they will be able to charge higher prices for the drink allowing them to gain more profits.

Another benefit is, because Gatorade are targeting a niche market, they won't have as much competition as they would in a normal market for sports drinks. For example in India, there won't be a many if any competitors. And because Gatorade has a strong image and a lot of capital behind them if there were competitors already in these markets Gatorade will have the ~~people needed~~ and capital needed to ~~become~~ <sup>gain</sup> ~~the~~ market share.

Another benefit is the product has a unique selling point (USP) which may make them stand out from their competitors. Consumers can buy the product in sachets and use them when they like, they won't have to drink them straight away like you would a sports drink. This may give them a step in front when entering these niche markets because their product is different from it's competitors, also because of the USP, they will be able to charge premium prices again.

There are also disadvantages of operating in a global niche market. Because it's a niche market there won't be as many customers in it as there would be operating in a global market. This may make market saturation easier because the markets are smaller and therefore easier to saturate.



**ResultsPlus**  
Examiner Comments

A good analytical answer that is let down by limited evaluation. Nevertheless it has clear understanding, analysis and context and just gets L4. Total 8 marks

## Question 5

Most candidates were able to make the connection between Germany exporting machine tools and the growing Chinese manufacturing sector, but some were then unable to analyse the full benefits of this to the German economy e.g. jobs, income, growth etc.

A number of responses offered the benefit of outsourcing to the German economy; unfortunately that has nothing to do with China's growth, in fact the opposite is true. As China's economy has grown, costs are rising making it less attractive.

5 Analyse why the German economy has benefited from China's growth.

2 Q05

Germany exports a lot of machine tools to China, as china grows, the demand for them increase. The revenue Germany gains from this is likely to cause a multiplier effect. However, since they are growing so rapidly, perhaps Germany will soon, if it hasn't already, not be able to meet the demand of China, so Germany's growth will slow.

Germany have also benefited in other ways, since it is such an attractive market, German businesses have <sup>outsourced</sup> ~~headed~~ to China, particularly in the manufacturing industry, this cuts costs, the products can then be sold in Germany cheaper, helping the multiplier effect. With Germany growing, foreign investment is also attracted.



**ResultsPlus**

**Examiner Comments**

This answer starts well but then offers evaluation which is not needed. The second part is not a benefit of China's growth as the question asked. It is a benefit to Germany of China's comparative advantage in manufacturing due to its lower costs and is a different question altogether. Therefore it does not gain any marks. Total 2 marks.



**ResultsPlus**

**Examiner Tip**

On all of the questions always check that you have done what the question has asked of you. Make sure you have answered the question that is set and not just one that you would like to answer or one you have prepared in class.

5 Analyse why the German economy has benefited from China's growth.

5 Q05

China had a GDP percentage growth of 9% at the end of 2011 the world's biggest. This means production increase and the need for machinery and tools. This demand is filled by Germany, Germany is exporting machine tools to China for its industry. This means that jobs are being created in Germany to make the tools and the ~~capital~~ capital from China buying the tools is going back into the German economy. ~~The~~ The funds from wages from Germany industry also goes back into the economy to fund education and healthcare and unemployment gets reduced.



**ResultsPlus**  
Examiner Comments

The response has clear application and analysis and gained 5 marks.

## Question 6

The question was usually completed well with most candidates able to suggest two reasons. The most popular – usually as part of the EU, with the second reason picking up on infrastructure more so than skills or education of workforce. Others commented on the comparative advantage of the UK in financial services. Some answers indicated the question was not read properly and answers related more to the Chinese benefits of oil and gas takeovers.

6 Explain **two** possible reasons why London and Britain are such favoured destinations for Chinese FDI. 5 Q06

One reason is it's in the EU. So if a Chinese firm locates in the UK it will be able to take advantage of ~~from~~ the single market, ~~then~~ where as if they sold their products from China they would have to pay an import tax, increasing costs for Chinese firms.

Another reason is it can take advantage of the skills we have in Britain. For example, marketing and after sales service in Fordence B, Mindray has opened marketing + a sales service in the UK, because it is ~~the~~ one of our skills and is a good base and they can take advantage of ~~the~~ our knowledge when wanting to target the rest of Europe.



### ResultsPlus Examiner Comments

A good response. The first reason is valid, with clear application and analysis and gets 3 marks. The second reason is valid and also applied but the analysis that follows is too vague. The candidate needs to explain *how* they can take advantage of the skills and only gets 2 marks. 5 marks in total.



### ResultsPlus Examiner Tip

On these sorts of questions always check that you have:  
Done what the question has asked of you e.g. given **two** reasons  
Stated a reason  
Applied it to the context  
Explained a consequence or development of your reason

## Question 7

Disappointingly, many candidates failed to answer this question directly. There was much discussion on the benefits of the BRICS growth to Gucci, Carrefour or other businesses, but very little, if any, actual focus on how this might affect the marketing strategies of the businesses. As a result quite a number of candidates failed to achieve any marks at all. Once again this illustrates the need to read the question carefully and answer the question that is set.

7 Evaluate the likely impact the BRIC economies might have on the global marketing of a business such as Gucci or Carrefour.

6 Q07

The impact BRIC economies will or may have on the global marketing of a business such as Gucci or Carrefour is a big one.

Big one. Countries such as Brazil, Russia, India and China emerged as emerging world economies. Large multi-national firms such as Gucci focused their marketing on countries in Europe and USA. Having 'similar' cultural and commercial needs. Global strategy and possible but because the BRIC countries are so different. Culturally to other UK, USA and other European countries. Could mean a total rethink of their global marketing strategy. Also food products from supermarkets like Tesco may have to be changed for example Nestlé attempted to market their powdered baby milk in Africa. On the packet was a white baby. Using Cognac and Upover as in Africa you ingredients are displayed on the packaging.

On the other side had global marketing may have to change very slightly as companies such as Gucci would be seen as a luxury good in countries such as India and China but also Manufacturing Companies could take advantage of emerging markets for example producing and selling overpriced cars in Brazil to utilize the working and to create jobs.



**ResultsPlus**  
Examiner Comments

An example of a good answer that has context, analysis and evaluation. This gives it L4 and 6 marks..

## Question 8

Generally answered well, but occasionally lacking sufficient application to the Greek economy. Some responses just discussed in general terms the benefits of inward investment, which limited their opportunity to access the full mark range.

Those that had fully read the article could pick up the implications of the 'Chinese management and workers in the driving seat'. Some managed higher evaluation and could see more longer term benefits that might accrue with having the container-handling facility and any 'spin-offs' together with discussing the greater benefits that might favour the Chinese and the need for caution.

Once again, what let many evaluative responses down was the lack of context; many answers could have been about any expansion, anywhere, in any country. With 5 marks out of the 10 for evaluation this was a costly mistake to make.

8 Assess the advantages to the Greek economy of allowing further inward investment from China.

6 Q08

Greece was hit very badly by the recession and is struggling very much at the moment, they have very little exports and rely strongly on tourism. As other countries were affected by the recession they couldn't afford to go on holiday which damaged the Greek economy even more. Inward investment from China would mean China financing the operation to build something in Greece. Both countries would benefit as Greece get new business ventures for free and China will own a percentage of the company which they will get capital from.

On the other hand this may not help Greece in the long-term as they are paying a lot of the profits these businesses are making straight back to China. Greece would only see a short-term advantage to this investment. Also the stuff China are offering to build aren't very beneficial to the country.

In conclusion, Greece would only see short-term success and may regret the decision further down the road.



**ResultsPlus**

Examiner Comments

A reasonable response with good context but it is held back by limited evaluation and assertion. Total 6 marks

From Evidence A & B, it is evident that Greece ~~has~~ along with Ireland was worse hit by financial crisis. This means that Greece are in need of finance to build up ~~their~~ their country financially. Investment from China would bring in various benefits for Greece firstly providing them with ~~finance~~ money to better the financial state of the country. From Evidence B, it is stated that China ~~and~~ and Greece have signed contracts for ship building and hotel construction. This could better Greece's circumstances as firstly it would bring in income into the country. Additionally, it will also provide jobs for Greeks thus also increasing the GDP of Greece. Allowing China to ~~do~~ invest and take some control within Greece in relation to ~~cont~~ constructing new businesses could also improve the infrastructure of Greece thus ~~and~~ ~~also~~ creating more opportunities. On the other hand, ~~BCEGI~~ BCEGI is a huge multinational company and is taking charge within Greece. It can be hard to control such businesses as they are much greater in size and much more powerful. ~~This~~ As Greece is suffering ~~from~~ financially, they may have no choice but to ~~an~~ allow BCEGI to continue working/operating as it would on a whole, help them. To evaluate, I think that allowing investment from China ~~is~~ will be very beneficial for Greece as it will enable them to get **(Total for Question 8 = 10 marks)** **8** back on track and better their financial circumstances.



**ResultsPlus**  
Examiner Comments

A good response with good context and analysis throughout. The evaluation is perceptive but is based on one point. Total 8 marks



**ResultsPlus**  
Examiner Tip

Questions 8 & 9 have a lot of marks for evaluation (5 and 8 respectively). Make sure that you do fully evaluate and use suitable context.



## Question 9

Generally answered well although many saw the situation as being rather one sided in China's favour. Better responses were able to contrast possible outcomes for different types of UK businesses. Others contrasted the situation in the short and long run. Some candidates who were very perceptive could see that the Chinese companies might have issues with their own domestic markets, higher wages etc. Also some recognised the elements of 'reprisals by China' if tariffs are imposed on imports and dangers to the UK and EU of dumping. Answers which mentioned particular businesses had much better focus on which to make good evaluation.

\*9 Evaluate the possible effects of China's projected growth rates on UK businesses.

1209

China is a rapidly growing country it has been growing at around 10% a year.

Soon China will become ~~the~~ the biggest economy in the world.

However at the moment it is a huge opportunity for UK businesses, China is still less developed however more and more multinationals are ~~in~~ market out in China. It is a potential way of getting huge profits and high growth due to the sheer size of China. It has a population of 1.4 billion and therefore UK businesses have a chance to potentially make a lot of money, but that depending on the type of firm. For example a retail firm like <sup>M&S</sup> ~~the~~ may benefit, however a ~~low~~ low manufacturing firm may suffer due to the big comparative advantage ~~over~~ China has over Britain as China are good at making cheap products such as toys.

In the long term however Chinese businesses will improve and they will become more competitive and a threat to UK businesses, perhaps having their own potential multinational companies, which would threaten the UK market.

and UK businesses. China are already doing this and are taking advantage of weak businesses all over the world. China are buying Africa's oil - their materials, this may make it more expensive for UK businesses to seek suppliers when materials cannot fit the demand due to the <sup>for example</sup> more highly developed fast growing economies (BRIC'S)

To conclude it may be beneficial for some firms such as in the retail industry in the short term. However UK businesses may be threatened greatly by potential Chinese businesses <sup>due</sup> to the high growth China has been in seeing.



### ResultsPlus Examiner Comments

A good response that has application, analysis and some thoughtful evaluation. A conclusion rounds off the answer and it was awarded 12 marks.



### ResultsPlus Examiner Tip

A conclusion can increase your marks as long as it is relevant. Try to draw the strands of your argument together and address the question again.

Context requires you to do more than just repeat terms used in the question. You must use additional information from your own studies and reading or from the source material and it must be relevant to the question.

# Paper Summary

There are two basic styles of question used in this paper. Q1, 2, 5 & 6 do not contain evaluation marks but are marked on the assessment objectives of knowledge, application and analysis.

## *Knowledge*

– means telling the examiner a fact or reason for something, it is something you know or have learnt.

## *Application*

– means that you use that knowledge in the setting (context) of the question. This may mean applying some of the evidence from the source material or your own knowledge.

## *Analysis*

– is best seen as a consequence of something happening.

E.g. Q1 asks for reasons why GSK might want to enter the American market with Lucozade.

“GSK wanted to enter America because it is a very profitable market (*knowledge*). Last year Gatorade made sales of \$2.6 billion compared to GSK’s sales of £376 million (*application*). Entering the biggest nutritional market in the world should enable GSK to increase sales and profits. (*analysis*).”

Q3, 4, 7, 8 and 9 are levels of response questions with *evaluation* as well as the other objectives.

*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 familiarize yourself with where these marks are awarded, if you are unsure, ask your teacher.

## *Evaluation*

– means making a judgement about something. It may entail looking at the advantages and disadvantages or making a choice between alternatives. Good evaluation will also involve reaching a balanced conclusion.

*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.

When the examiner looks at a response they will look for evidence of the higher skills of *analysis* and *evaluation*. If there is *analysis* it will be awarded a L3 mark, if in addition, it has *evaluation* then it will gain a mark from L4. The actual mark within those ranges will depend upon the quality of *analysis/evaluation*.

But the answer must also have *application* (context). There is an instruction in the mark scheme ...

N.B. If analysis but no context restrict to bottom L3.

If evaluation but no context restrict to top L3

This means that candidates, who simply repeat textbook or generic answers that could apply to any situation, are missing out on potential marks.

So what is context?

If an answer has context it cannot be applied to another setting. For example Q2 asked for likely difficulties that would face GSK in their attempt to penetrate the American market with Lucozade. .

“GSK would find it difficult to enter the American market with Lucozade because there are barriers to entry”. – This statement would be equally valid if the word *Australian* is substituted for *American* and therefore has no context.

“GSK would find it difficult to enter the American market with Lucozade because there are barriers to entry in the form of two large existing businesses Gatorade and Powerade”. – This time we cannot substitute the word *Australian* for *American* because it would not be true. Therefore the answer has context and would be rewarded as above.

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