

Write your name here

Surname

Other names

Centre Number

Candidate Number

Edexcel GCE

Economics and Business

Advanced Subsidiary

Unit 2B: Business Economics

Monday 21 May 2012 – Morning

Time: 1 hour 15 minutes

Paper Reference

6EB02/01

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.
- 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 70.
- 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 to Question 12 in Section B. This question is indicated with an asterisk * – *you should take particular care on this question 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.

Write the letter of your chosen answer in the box and then explain your choice in the space provided.

You should spend 30 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1 (a) In December 2010, the UK unemployment rate was 7.9%, an increase of 0.1% on the previous quarter.

Rising unemployment can be a problem for the UK economy because it increases (1)

- A Gross Domestic Product
- B wage demands
- C revenue from income tax
- D government spending on welfare benefits

Answer

- (b) Explain your answer. (3)

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(Total for Question 1 = 4 marks)



2 (a) During the boom period of the economic cycle, which of the following businesses is **least likely** to see a significant increase in sales?

(1)

- A Mercedes car dealership
- B Fashionable clothes shop
- C Travel agent
- D Discount food retailer

Answer

(b) Explain your answer.

(3)

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(Total for Question 2 = 4 marks)



3 (a) In the UK, the energy market is an oligopoly dominated by a few large companies such as British Gas, EON and Scottish Power.

This oligopolistic market will **most likely** feature

(1)

- A low barriers to entry
- B restricted consumer choice
- C many buyers and sellers
- D perfect knowledge

Answer

(b) Explain your answer.

(3)

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(Total for Question 3 = 4 marks)



4 (a) In winter, ASDA, a UK food retailer has a contingency plan called 'operation snowflake' to keep its car parks clear of snow.

Business planning can help ASDA to reduce uncertainty because it

(1)

- A prepares resources for possible problems
- B reduces the need for market research
- C analyses consumer behaviour
- D can accurately predict the future

Answer

(b) Explain your answer.

(3)

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(Total for Question 4 = 4 marks)



5 (a) Kraft Foods acquired Cadbury in February 2010. One of the reasons for the takeover was to gain economies of scale.

Economies of scale for Kraft Foods are **most likely** to lead to a decrease in (1)

- A profitability
- B total costs
- C average costs
- D number of brands

Answer

(b) Explain your answer. (3)

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(Total for Question 5 = 4 marks)



6 (a) Which of the following markets is **least likely** to be dynamic?

The market for:

(1)

- A Designer clothing
- B Laptop computers
- C Eggs
- D Mobile phones

Answer

(b) Explain your answer.

(3)

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(Total for Question 6 = 4 marks)

TOTAL FOR SECTION A = 24 MARKS



SECTION B

Answer ALL the questions in this section.

You are advised to spend 45 minutes on this section.

Evidence A

Zara launches online retail store 2010

Spanish clothing retailer Zara has opened online stores in France, Spain, Italy, Portugal and the UK. Zara already sells some products online but the website will now offer fashion lines that were previously only available in its high street stores. Zara is hoping to see a 10% growth in revenue with the opening of its online store.

Zara is not the only clothing retailer to develop an online presence. One of Zara's main competitors, H&M, launched its online store soon after Zara and another key competitor, Next, also has a developed online presence. According to Jeremy Baker, Professor of Marketing at the ESCP Business School, "shops that don't have an online presence have noticed rival stores enjoying a dramatic increase in online sales, while their sales in shops have been pretty flat".

Zara is famous for its lean management and decentralised structure. It takes less than two weeks to get a skirt from the design team in Spain to one of its stores in Qatar or Paris. This is up to 12 times faster than the competition. With shorter lead times, Zara can ship fewer units, in a greater variety of styles and more often. It can more easily cancel lines that don't sell as well, reducing unsold stock.

Internet trading for Next saw a year-on-year rise of 7.8% in its online shopping business. Furthermore, for ASOS, the UK online clothing market leader, sales rose 54% during the first quarter of 2010. Industry experts say that shoppers, who have limited time, now make the most of shopping from home or work. Internet shopping is expected to grow from £56 billion in 2009 to £94 billion in Western Europe by 2014, according to consultants Forrester.

(Source: adapted from <http://www.retail-digital.com/sectors/department-stores/zara-launches-online-retail-store-2> by N Namazi, Friday 3 September 2010)

Evidence B

Growth in online shopping at its fastest for two years

Some £4.5 billion was spent online in May 2010, as the UK's e-commerce market grew by 22% compared to the previous year. Figures show that spending online was equivalent to £73 for every person in the UK. Tina Spooner, director of information at IMRG, which monitors online sales trends, said: "With online sales growing at their highest rate in almost two years, this is good news for the online retail market. [In the first six months of 2010] the UK online retail market has grown 14%".

(Source: adapted from <http://www.internetretailing.net/2010/06/growth-in-online-shopping-at-its-fastest-for-two-years/> by Chloe Rigby on 21 June 2012)



7 Explain why a decentralised organisational structure may lead to improved performance for Zara.

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(Total for Question 7 = 4 marks)



8 Explain **one** possible barrier for firms planning to enter the UK clothing retailing market.

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(Total for Question 8 = 4 marks)



- 9 Using a supply and demand diagram, illustrate and explain the possible effect on the high street clothing market of the increase in online clothing market sales.



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(Total for Question 9 = 8 marks)



10 Assess the importance of lean management techniques in helping Zara develop a competitive advantage.

Dotted lines for writing the answer.

(Total for Question 10 = 8 marks)



Zara buys raw materials from across the world and produces its clothing at its manufacturing base in Spain. Spain is a member of the Eurozone.

11 Assess **two** possible effects on Zara's business of an appreciation (strengthening) of the Euro against other currencies.

Effect 1

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(Total for Question 11 = 8 marks)



*12 Evaluate how the increase in online clothing retailing might affect:

(a) consumers.

(7)

A series of horizontal dotted lines for writing the answer.



(b) retailers.

(7)

Handwriting practice area consisting of 25 horizontal dotted lines.

(Total for Question 12 = 14 marks)

**TOTAL FOR SECTION B = 46 MARKS
TOTAL FOR PAPER = 70 MARKS**



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