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**Pearson Edexcel**
**International**
**Advanced Level**

Centre Number | | | | | |

Candidate Number | | | | |

# Business Studies

## Advanced

## Unit 3: International Business

Thursday 23 January 2014 – Afternoon
**Time: 1 hour 30 minutes**

Paper Reference
**6BSA3/01**

**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** the 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 to Question 4 in Section A and Question 9 in Section B. 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**

### Jaguar Land Rover (JLR) set to build cars in China

JLR is enjoying strong sales worldwide, notably in China; this has increased demands and pressure on its British-based production facilities. One of these in Halewood, is increasing its staff by 1,000 and switching to three-shift, 24-hour production to try and meet the extra demand.

JLR is set to embark on a joint venture with the Chinese manufacturer Chery Automobile to build Jaguar and Land Rover models in China.

JLR sold 39,000 cars in China between 2004 and 2010. In 2011 alone JLR sold 42,000, and the numbers are still rising. It is opening showrooms in China at a rate of one a week.

(Source: adapted from http://carandvannews.co.uk/2012/04/23/surging-jaguar-land-rover-set-to-build-cars-in-china/)

**Evidence B**

### JLR Redesigns Car for China

Elsewhere in the world, the luxury car market is all about putting more powerful engines into vehicles and emphasising the driving and handling experience. That emphasis does not work as well in China because wealthy car buyers often employ drivers.

As a result, Jaguar's XJ Ultimate – a new car designed for China – puts the emphasis on the back seat. The leather and wood rear interior comes with two iPads in the backs of the front seats, together with wireless keyboards. An aluminium table between the two seats lifts to reveal two Champagne glasses and a Champagne cooler.

"These cars are designed with China in mind," said Bob Grace, JLR's China head. Analysts have criticised other car makers, such as Ford Motor Company, for being slow to adjust for local tastes.

(Source: adapted from http://blogs.wsj.com/chinarealtime/2012/04/23/auto-show-got-back-jaguar-amps-up-rear-for-china/)

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**1** Explain **two** possible problems that a business such as JLR might encounter when trading internationally.

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

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**2** Analyse **two** possible reasons why 'JLR is enjoying strong sales worldwide, notably in China'. (See Evidence A, line 1)

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

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**3** Assess JLR's decision to form a joint venture with Chery Automobile.

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

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***4** Evaluate the likely importance to a multinational business such as JLR of adjusting for 'local tastes'. (See Evidence B, line 12)

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

**TOTAL FOR SECTION A = 35 MARKS**

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## SECTION B

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

**Evidence C**

### Blair on Africa

Former Prime Minister Tony Blair outlined key factors for Africa to harness rapid economic growth. They included infrastructure (transportation and communication), foreign investment, education and tourism. He also stated the need for a reduction in trade barriers to help growth and development.

Blair quoted a McKinsey report that stated that the number of Africans with an annual income of more than $3,000 (£1,800) is set to rise from 60 million to 100 million people within three years. Total consumer spending in Africa is also expected to double this decade to $1.4 trillion.

(Source: adapted from *The Times,* 20 March 2012)

**Evidence D**

### Africa's Multinational 'Gold Rush'

A growing middle class across Africa increasingly spends money on non-essentials like mobile phone services and retail goods. The Wall Street Journal reported a 'new gold rush under way for the African consumer' for multinational corporations (MNCs) like Vodafone and Wal-Mart as they enter the African markets.

So, is the African continent on the verge of a major economic shift from resources to retail?

Yes, says the Asia Times – "The economic crisis has increased business interest in Africa. Slow demand in the West and elsewhere due to the global financial meltdown means that Africa is being considered for its unrealised economic potential and business opportunities".

No, says the Wall Street Journal – "High commodity prices have helped to sustain strong expansion in Africa's resource-rich economies and have helped to drive the growth of the middle class. However, political turmoil and significant poverty frustrate economic growth, and Africa remains at the bottom of the World Bank's Ease of Doing Business survey".

(Source: adapted from http://www.theatlanticwire.com/business/2011/01/africa-s-multinational-gold-rush/21426/)

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**Evidence E**

**Marico challenge MNCs in African haircare market**

In the past four years several Indian companies such as Marico have spent nearly $400 million in taking over global companies selling hair care products to African and African-American consumers. These Indian companies are challenging western MNCs in the $1.4-billion global niche, yet fast-growing market for grooming frizzy African hair. Most MNCs, including L'Oreal and Unilever are focused on conventional mass market products such as hair colour, shampoos and conditioners. By contrast, the Indian companies are focusing on the needs of the ethnic hair care market with categories such as hair accessories, relaxers and colours.




On average, an African woman spends only $1.60 on haircare products per year. The market is waiting to explode, say experts. 'Africa is the most important market for the future,' says Pinakiranjan Mishra, at consultancy firm Ernst & Young. With GDP expected to grow 6% every year for the next decade, the continent represents the next area of consumption growth outside BRIC (Brazil, Russia, India and China).

(Source: adapted from http://articles.economictimes.indiatimes.com/2011-06-02/news/29613293_1_hair-braids-indian-firms-kinky)

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**5** Explain **two** possible reasons why a reduction in trade barriers might 'help growth and development' in African countries. (See Evidence C, line 4)

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

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**6** Explain **two** possible reasons why Marico has chosen to expand by takeovers.

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

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**7** Assess the likely importance of 'infrastructure' in attracting foreign investment into developing regions such as Africa. (See Evidence C, line 2)

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

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**QUESTION 8 BEGINS ON THE NEXT PAGE**

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**8** Assess the likely benefits to businesses such as Marico of operating in a global niche market.

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

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***9** Evaluate the likely impact on MNCs, such as Wal-Mart and Vodafone, of their decision to enter African markets.

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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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