



# Examiners' Report June 2018

## IAL Business Studies 4 WBS04 01

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## Introduction

The paper worked well and there was a good range of marks showing that the paper had been able to differentiate. As with previous exam series, there were some less able responses that showed little understanding of, or even familiarity with, the specification content. Nevertheless, there were some good and occasionally very good responses to the questions set.

The main reasons for some otherwise able candidates underachieving, are the usual ones of 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 and as a result they failed to evaluate and so limited their marks. Some of the candidates missed out on marks because they did not answer the question that was set. This was particularly the case with question 5.

It is worth reminding future candidates of the need to apply context to all responses. Repeating generic or stock answers will not access the higher levels of the mark scheme.

## Question 1 (a)

Most candidates were able to attempt a partial definition but relatively few were able to develop it for the second mark relating to a given time period.

- 1 (a) What is meant by the term Gross Domestic Product? (Evidence B, line 7) (2)

Gross Domestic product (GDP) is the total ~~output~~ amount of goods and services produced in the economy over a period of time. A rise in the real GDP may indicate economic growth.



A clear definition with both parts accurately expressed gaining 2 marks.

## Question 1 (b)

Many candidates did not get any marks here as they simply defined a joint venture as a merger or takeover. The crucial distinction, is that a joint venture is just a temporary joining together for a specific project and not a permanent union where both businesses change their structure.

- (b) What is meant by the term joint venture? (Evidence D, line 4) (2)

A joint venture is a inorganic method of growth in which 2 companies collaborate <sup>together</sup> for a certain period of time under a <sup>specific</sup> contract.



This definition has the crucial part of the definition which underlines the one-off or unique aspect of a joint venture. This scores 2 marks.

## Question 2

Usually answered well, although a significant number of responses interpreted it as FDI rather than globalisation. Many candidates gave an unnecessary definition of globalisation but were able to explain two factors, including free trade, political change and technology. Quite a number did not give examples and as a result, did not get beyond 4 marks.

2 Explain two factors that have contributed to increased globalisation.

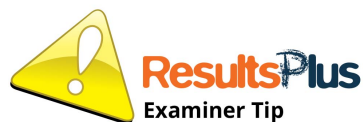
Globalisation refers to the integration of markets in the global economy. As per the extract we are able to see that globalisation has mainly <sup>been a popular</sup> occurred in the Asian region, in countries like India and China.

One possible factor that would have contributed towards an increase in globalisation is the collapse of communism and industrialisation of countries like China. With China moving away from being communist, they have found a comparative advantage in the manufacturing sector. This with China specialising in that sector they were able to export larger volumes and import those that they do not produce. This in turn has been a contributing factor towards globalisation.

Another possible factor that has contributed towards globalisation is the growth of TNC's. With large multinational companies like Apple, locating their production plants in countries like China, <sup>it has</sup> ~~have~~ resulted in <sup>the formation of</sup> global supply chains. With the growth of large TNC's, they have also started outsourcing and off-shoring ~~to~~ from cheaper countries worldwide which eventually has led to greater integration between global markets.



A very good answer scoring all 6 marks. Clearly expressed, starting with an identification of the factor, then a good example and finally good analysis to link it to the question.



Bear in mind the mark structure here. Two factors, so 3 marks for each one - Knowledge, Application and Analysis.

## 2 Explain **two** factors that have contributed to increased globalisation.

Globalisation is the integration between countries where trade is being taken place. One factor that have contributed to increased globalisation is the improvement of today's technology because technology has been ~~the~~ one of the most effective factor since it has been made easier in means of communication between countries unlike before where people had to wait for so long to receive communication or difficult for people to reach out to someone from the other country, this has also made it easier for businesses when it comes to them communicating with suppliers or other manufacturing plants in other countries. The other factor that has contributed to increased globalisation is the free trade among countries with no restrictions - this made it easier for consumers in a country to enjoy foreign products & lifestyle within the home country & also it has also made ~~the~~ the relationship of countries grow stronger. Moreover businesses will be easily opening in other countries ~~also~~ getting up ~~different~~ their plants.



Only 4 marks here, a good answer but there is no application.



Remember to use examples (application).



### Question 3

Most candidates were able to identify two reasons with some application from the evidence and some development. Not many could sustain the development to pick up both analysis marks. Some misunderstood the question and explained why Ghana would want to encourage FDI. A significant number wasted time/space on evaluating their response, indicating a lack of exam technique or understanding of command words. Few reached the maximum of 8 marks, often because of a lack of clarity in the response.

#### 3 Analyse **two** reasons why a business might want to expand into a developing country such as Ghana.

Developing country is defined as a country which has huge spare capacity for growth and increasing standards of living of the people.

Ghana has attracted many businesses and investors as it has the following advantages:

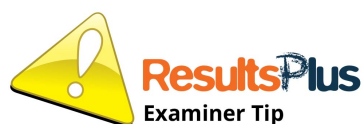
The ease of ~~etc~~ doing business. The World Bank in its latest report rated Ghana as an ~~easy~~ easiest place to do business in West Africa.

This means that <sup>there</sup> are low government rules and regulations required for a firm to ~~to~~ enter into the new market. Firms will therefore see this as an opportunity to expand and set up in a new market with reduced costs and time. They will have reduced initial costs required to enter into the market. This may mean that different companies will be able to increase their sales and revenue that may not be possible in existing markets.

Another reason is that there has been infrastructure development which is a main incentive to attract FDIs and also for development. Infrastructure allows easier movement of goods and services from place to place. This means firms who deal in manufacturing of products will find it quite easy to transport the products to different regions. The infrastructure development hence attract different firms into the country taking ~~the~~ advantage of the new infrastructure.



A good answer scoring all 8 marks. Each reason is identified, applied and with good analysis that is developed sufficiently enough to get both marks.



For each possible reason we are looking for an identification of that reason (Knowledge 1 mark), then putting it into context with a valid example (Application 1 mark) and then developing that reason by explaining the consequences with two points (Analysis 2 marks). Make sure you cover these three assessment objectives.

3 Analyse **two** reasons why a business might want to expand into a developing country such as Ghana.

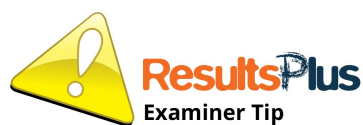
Global expansion is when a business expands its operating area into other countries. Harley Davidson expanded into India which ~~was a~~ <sup>is</sup> one of the largest developing <sup>countries</sup> ~~countries~~.

one reason why a business might want to expand into a developing country such as Ghana would be, because Ghana is a developing country it would mean more and more people in the country will have ~~dispo~~ disposable income, this presents new ~~opportu~~ opportunities for businesses to increase their sales and profits, also because it's a developing country it would ~~t~~ mean less competition in the market, which would allow a business that is expanding into Ghana to freely go about with their sales, it would also give them a competitive advantage in the future.

However businesses may not want to expand into ~~the~~ Ghana as it is still a developing country with possibly poor income levels which would mean people will not be willing to spend too much on foreign products.



This response scores 4 marks. It starts with an example but does not apply or develop it. Two reasons are then identified with limited analysis. It concludes with evaluation but no marks are available for it in this question.



Do not evaluate on questions 3 and 4. No marks are available and it just wastes time.

## **Question 4**

Responses to this question were generally good and a significant number were able to reach Level 4 by recognising at least one of the drawbacks of specialisation but only a few developed this into a fully comprehensive response. The more able responses were able to demonstrate both the pros and cons of specialisation and showed a good understanding of the difficulties and uncertainty of relying on a commodity product. As ever, some candidates did not offer any evaluation and were limited to Level 3.

4 Assess the benefits to Ghana of specialising in the production of a commodity such as cocoa.

(10)

Specialisation refers to when a country or firm focuses on producing what they are best at, eg, Switzerland Chocolates, Ghana cocoa and Japan for Cars.

When Ghana is specialised in producing Cocoa they are able to supply it to many countries in the world that demand for cocoa which is needed to produce coffee hence, these exports will improve balance of payments to be a surplus and also continuous production may lead to a rise in GDP of Ghana as said in Evidence B that cocoa stands for 8.2% of their GDP hence, giving them scope for growth and thus being internationally competitive in the world market.

Further, since cocoa is found to be cheap in Ghana there is a high chance of FDI's entering the country as said in Evidence D that FDI's in Ghana have been valued at \$1.45 bn in 2016 this as a result creates jobs in the economy due to the entrants of FDI's increasing the standard of living in the country overall increasing GDP due to higher production and the government earning revenue by taxing FDI's.

On the other hand if Ghana specialises only on cocoa it leads to the risk of overspecialisation where they will be overdependent on cocoa only for their exports thus, a bad climate can affect Ghana's

exports drastically ~~by~~ which will cause the B.O.P to be a deficit and they do not have other resources to rely on for improvement and hence, will destroy the livelihood of 6 million people employed on the cocoa sector which is about 25% of their population.

Further, nowadays with the help of technology there are artificial resources that can be replaced such as <sup>Natural</sup> rubber being replaced by synthetic rubber which has affected Sri Lanka's exports greatly as they rely on rubber to be one of their main exports.

Further due to reduced global demand Ghana needs to find alternatives as people are being more health conscious and stopping consumption of coffee it may have led to a surplus of cocoa in Ghana.



**ResultsPlus**  
Examiner Comments

Good use of context, with sound analysis and evaluation. A Level 4 response that scores 9 marks.

4 Assess the benefits to Ghana of specialising in the production of a commodity such as cocoa.

(10)

Production is the process of developing raw materials and making them into sellable products.

Ghana is one of the world's biggest cocoa producers. It makes up for ~~over~~ over 8% of their GDP and 30% of total export earnings.

Since Ghana specialise in cocoa it means that they can produce high quality of cocoa at a low price due to their skills of the workers.

Since their cocoa is high quality it means they can demand a high selling price for it. And since it's cheap for them to produce it gives them a high profitability rate.

Other than the profitability, 6 million people (25-30%) of the population rely on cocoa ~~the~~ sector to make a livelihood.

By keeping this going this is keeping Ghana nationals in jobs which increases their disposable income which ~~the~~ means their GDP is likely to carry on increasing.



Which attracts FDI, yet notes benefits  
Overall I think cocoa is essential for  
Ghana to carry on growing their  
economy.



**ResultsPlus**  
Examiner Comments

A limited response that has some basic analysis and a little context from the extract. It reaches Level 3 and scores 5 marks.

## Question 5

Some candidates became rather confused and responded by looking at the impact on China and India rather than on European businesses. Many were unable to get beyond a generic account of the benefits to businesses of cheap labour costs, ignoring the fact that as these economies grow, so too do wage rates. Most however, were able to offer some relevant analysis along with some evaluation. There were some excellent answers that looked at the growing market power of many Indian and Chinese businesses and brought in wider examples such as Lenovo and Tata to support this.

### 5 Assess the possible impacts on European businesses of China and India's projected growth rates.

(12)

Growing economies can be defined as countries which are less developed than established countries but carry growth rates which are much higher than the rates experienced by developed nations. The IMF expects the Indian Economy to grow by 7.6% in 2016 and the Chinese economy to grow by ~~7.6%~~ 6.6%. 82% of the youth population in China would be financially better off than their parents, and the same for 70% of the Indian population.

European businesses, can set up shops in this market with one of the highest growth of disposable income, with all these consumers ready to spend. These firms can benefit from high levels of sales and profits.

If European businesses set up production / outsource their operations here, they can enjoy lowered costs as the renpee and Yuan are much weaker than the Yuan, so lowered costs, resulting in higher profits for European firms. In addition, the growth of these two countries can give rise to wealthy investors who invest capital in to European <sup>businesses</sup> ~~business~~, such as buy shares in public companies, meaning higher FDI for ~~these~~ European firms.

On the other hand, these firms which are growing in India and China could grow to the point where they become internationally competitive and could even eat into market share of Euro firms e.g. Alibaba.

Not all European firms will be affected, as many local

are not relevant to the increased income of these countries - e.g. milk shop in a rural area; these small firms are limited by size.

Despite European firms being able to sell on these markets, their demands and interests can completely differ, thus posing the risk of expansion, an utter failure, meaning major losses for western firms.

It might be extremely difficult for <sup>Euro</sup> western firms to operate efficiently, especially in China, because they are known for their excessive bureaucracy for ~~foreign~~ foreign firms, with the added ~~hindrance~~ difficulty of language barriers.

Finally, China may even implement protectionist barriers on foreign firms to promote domestic consumption, in the form of Tariff (e.g. BMW's is taxed in China), so domestically produced cars will be purchased.



**ResultsPlus**  
Examiner Comments

A good wide ranging answer backed up by good examples. This reaches Level 4 and scores 11 marks.

5 Assess the possible impacts on European businesses of China and India's projected growth rates.

(12)

India and China are two largest developing countries and are part of the Pew Research Center's 2016 Global Attitudes Survey.

China's economic growth rate ~~may~~<sup>may</sup> be slowing but ~~the~~ the majority of Chinese think it will be a continued economic progress.

India has also a good economy. China and India think that when today's ~~children~~ children grow up they will be better off financially than their parents.

~~The~~ The ~~good~~<sup>good</sup> economic will attract more European business to set up their company in these developing countries. But ~~like~~ China and India think that ~~their~~<sup>their</sup> children will be better in the future means that less companies ~~can~~ will come ~~there~~<sup>there</sup> because the competition will be too ~~hard~~ tough.

Also for European business the success will be hard to ~~maintain~~<sup>maintain</sup> if there are ~~many~~<sup>many</sup> competitors. Also the demand will be high ~~and~~ for workers so European businesses have to pay more wages (salary for employ~~m~~ employees. In addition, ~~the~~ because of ~~growth~~<sup>growth</sup> growth rates companies have to pay more tax for export.



A limited response that starts by using evidence that is not relevant to the question. Some basic one-sided analysis follows that looks at the possible downside. No meaningful evaluation is offered. This response reaches Level 3 and scores 6 marks.

## **Question 6**

Most candidates were able to make a reasonable attempt at this question and were able to access the evaluation level marks. The majority of these evaluative answers were in the lower range of Level 4 and many just used the example from the evidence of Uniqlo, often just repeating the extract. Most candidates used the terms ethnocentric, polycentric and geocentric, although not always correctly. Some seemed to think that the only choices were either adapting and changing everything or changing nothing at all. This missed out on the rather obvious point that perhaps the best strategy is a little of both, as Uniqlo has done. There were however, some excellent responses with strong analysis and evaluation that made good use of the case study evidence and other examples from wider knowledge.

- 6 "... we need to have a clear idea of what it means to be global and what it means to be local." (Evidence E, lines 9 and 10)

Evaluate the extent to which a global brand should follow *Uniqlo's* strategy.

(20)

Uniqlo's strategy is an example of glocalisation which emphasizes the need of adapting a product/service to local tastes and needs. From Evidence E, we could see that they have a polycentric approach (means that each market is unique and different).

Following an adapted marketing strategy instead of a global strategy (using the same strategy all around the world) means that Uniqlo will meet exactly the customer needs of the British people. This will lead to a high customer satisfaction and they will gain a competitive advantage, which is very important in competitive and dynamic industries such as the clothing industry. Sales will increase leading to a higher revenue and profit.

Another benefit is that adapting the product means that there are less risks involved. There is a smaller chance of a problem related to cultural differences occurring. The product is less likely to fail as it is tailored to the local tastes.

It could also be argued that Uniqlo has a geocentric approach which means that there are similarities and differences between markets.

Uniqlo is a Japanese brand. If they sold their products without adapting them, they are likely to fail. Japan and Britain have contrasting cultures. So if a product

or clothing line is a success in Japan, it does not mean it will work in Britain.

~~However, adapting the marketing~~ It is not just the product which needs to be adapted. Prices are also important. Disposable ~~se~~ incomes vary so what is cheap in one country may be expensive in another. Price is important as, many times, it is the deciding factor for a customer. Place is also important as it decides the reach of the product and distribution channels will also vary around the world. If promotion is tailored to local tastes, it is more likely to be successful. Adapting promotion is important to avoid cultural problems.

On the other hand, there are many successful businesses which have a global marketing strategy. An example would be Apple. Some products are standard and need no adaptation. Sometimes, the fact that a product is successful may mean that it will work in another country with no adaptation.

Moreover, adapting the strategy to each market is extremely time-consuming. It also costs a lot of money. This means that Uniqlo's costs will have increased and they would have to charge higher prices which may lead to a fall in demand. Maybe, the costs of adapting the products ~~may be~~ are greater than the possible profits or returns.

Due to the increased globalisation, cultures



are becoming more global and similar to each other. This means that there may be a decreasing need to adapt to local tastes due to globalisation and cultural imperialism. However, this is seen as a negative impact for many people.

In conclusion, a brand should follow Uniqlo's strategy in order to gain customer loyalty and a good brand image. Adapting the products to local tastes increases sales and therefore profits. There are less risks involved in having an adapted strategy. Yet, this involves greater costs and it is time consuming. Many products are standard and require no adapting adaptation.



**ResultsPlus**  
Examiner Comments

A good response that reaches Level 4 and scores 18 marks. A wide ranging discussion using good examples and perceptive evaluation. A conclusion is attempted but adds little.



**ResultsPlus**  
Examiner Tip

Questions 6 and 7 contain 8 marks each for evaluation and can make the difference between a top grade and an average one. Make sure that you do fully evaluate and use suitable context throughout.

- 6 "... we need to have a clear idea of what it means to be global and what it means to be local." (Evidence E, lines 9 and 10)

Evaluate the extent to which a global brand should follow *Uniqlo's* strategy.

(20)

~~A global brand is one that is recognized as~~

Uniqlo's strategy has the objective of adapting to the different cultures, beliefs, tastes, etc... of the different countries they have stores in to be able to create a sustainable and prosperous financial state for the company. At the same time they are contributing to each country in the way it needs it.

For this reason most global brands should follow this strategy that Uniqlo is using.

It's key for global businesses to integrate into the way of doing things in each country if they seek to be successful.

Uniqlo has done this in their new store in London, they have made it completely different from the other global business stores on the street. They have devoted the top two floors and the roof of their six storey building so that they can to local culture so that they can support local business such as Pedal Pedlar and so that they can hold local events there.

All these actions taken by Uniqlo makes them more part of the community and style of London.

It makes it easier to market their product in the community and it favours growth of their business within the country in the long term.

If Uniqlo had not taken this course of action and instead followed what most other MNC's do they wouldn't be able to maximise their profits in the long run, ~~th~~ they wouldn't have a competitive edge over other companies.

In conclusion, most global MNC's ~~to~~ should take the same approach of ~~the~~ trying to become part of the community and respecting the culture and beliefs of each country they work in.

By doing this they will slowly be able to adapt ~~the~~ their product to the needs of each country and separately increase the product lifecycle within each country.

Only some specific MNC's such as Coca Cola are able to outgrow the product life cycle and ~~become~~ ~~basically~~ create products with basically inelastic demand.



This response lacks evaluation and although it has some application the analysis is not developed to any great extent. It reaches Level 3 and scores 10 marks.

## **Question 7**

Again, most candidates were able to answer this question reasonably well and reach Level 4. Some responses made good use of wider examples, of both ethical and unethical business actions to reinforce their arguments, with a pleasing number looking at the situation in both the short and long term. In the less able responses, there were a lot of assertions made without development or substantiation by example. Some did not evaluate and when evaluation was present it was largely generic.

7 Evaluate the impact on a multinational business of operating ethical and sustainable policies.

(20)

Being Sustainable is being ethical, which is referred to doing the right thing morally.

When companies such as Unilevers, Nestlé etc implement sustainable policies; for instance the Unilevers programs of sustainable development to encourage people in developing and less developed areas to be <sup>hygienic</sup> sustainable. This could be beneficial for a company like Unilever as the products they provide are mostly soaps, shampoos, handwash and diverse products such as Lifebuoy, delectants such as Rin. This will create awareness for more people about the importance of using products and therefore lead to increases sales and profits in the long-run. This may have been the reason as to why return on assets were 9.88%, on equity 33.16% and <sup>return</sup> on investment 16.62%. Indicating good performances.

Further, a <sup>globally successful</sup> business ~~such as~~, Nikey in Bangladesh ran sweatshops which were exposed by pressure groups that ran all over BBCs, Al Jazeera etc. <sup>This</sup> ~~therefore~~ tarnished the reputation of Nikey. Therefore, it is said that the business has to treat the employees and not use child labor like Nikey and be ethical. There has been an increase preference around the world for authenticity and if it is not done so the consumers will boycott the product and the chances of a business likely to fail will increase.

Moreover, if the businesses such as Nestlé are unethical they tend to face legal headaches from the governments and may incur high levels of cost. Nestlé is likely to be ethical and is likely to be a value driven business as they are likely to do things that goes better than the law. This helps a business like Nestlé operate smoothly and that may have been the reason as to why Nestlé is performing well with a 8.59% return on assets, 14.68% on equity and 9.41% on investment.

On the other hand, being unethical may not be a major problem for strong companies like Nestlé. It is said that in Sri Lanka there has been a issue for a Nestlé product in Sri Lanka. The issue was for their product Milo as it had high levels of sugar that can cause diabetes. The Sri Lankan government tried to change it but was unable due to the strength they possess and the high level of demand it has in Sri Lanka. This did not cause any impact for the Sri Lankan consumers nor the Nestlé.

It can also be argued that the cost is likely to be high when doing ethical programs and the increase in costs will result in low profit margins. This may not be preferred by the shareholders as low dividends will be paid going against Friedman doctrine and they may sell shares

Further, business such as Nestlé and Unilevers may be providing sustainable living programs in order to increase their own sales of products such as Unilevers lifebuoy and Nestlé Nescafé as it may benefit in the long-run. This may have not be done in the intention of being ethical but to expand sales and charge high prices from consumers to exploit. The high prices charged may also result in low demand resulting in low ~~profit~~ sales and profits as consumers switch to competitors such as Protoste and Gombé.

In conclusion, these multinationals have been largely criticised in the past for not being ethical. In the recent times that has changed as companies such as Bodyshopilk are coping to this head by planting palm olive trees for every tree they cut. This adds value to a Multinational company and is appreciated globally. This could therefore lead to various benefits



**ResultsPlus**  
Examiner Comments

A strong response that reaches Level 4 and scores 18 marks. Well written, with good levels of analysis and evaluation it is reinforced by good examples from both the extract and wider knowledge. It also has a useful conclusion at the end.



## Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Do read the question carefully and answer the question that is set.
- Do watch out for command words such as Assess or Evaluate.
- Do use examples to illustrate your argument.
- Do use the language of the subject and avoid generalities.
- Do watch your timing and do not spend too long on one question.
- Do write concisely.
- Do add a conclusion to the longer questions.

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