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<h1 style="margin: 0;">Business</h1> <h2 style="margin: 0;">Advanced</h2> <h3 style="margin: 0;">Paper 1: Marketing, people and global businesses</h3>			
Thursday 7 June 2018 - Afternoon		Paper Reference	
Time: 2 hours		9BS0/01	
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.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- You may use a calculator.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Answer ALL questions.

SECTION A

Read the following extracts (A to D) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Takeaway consumption and median income in the UK

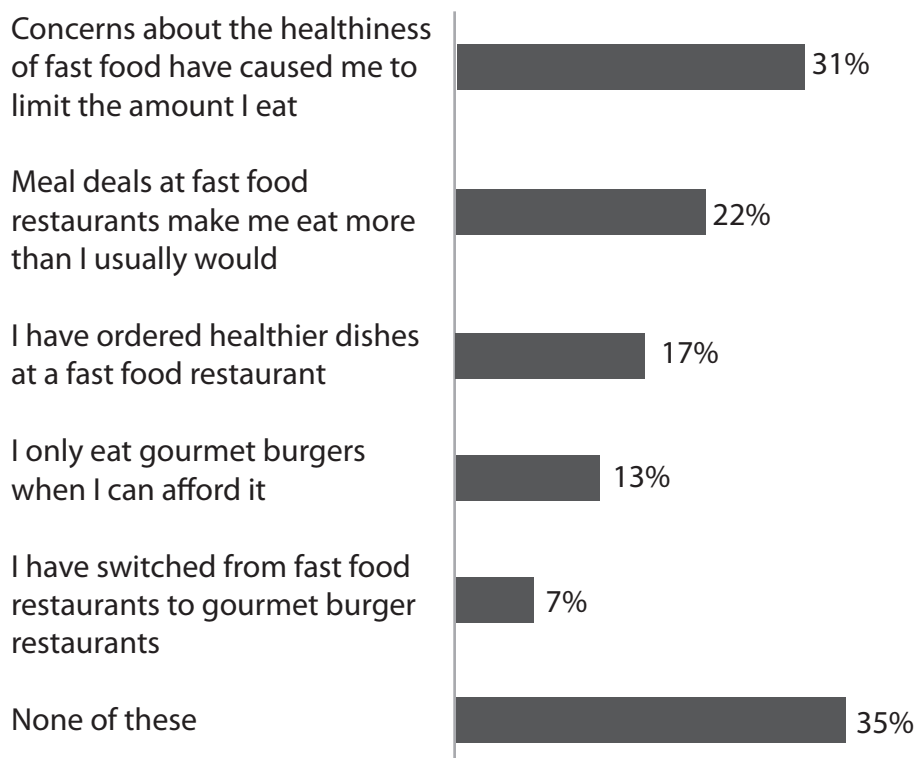
	Average number of takeaway meals consumed per year, per person	Median annual income for full-time employees
2013	140	£27 000
2014	144	£27 195

(Sources: adapted from © Crown copyright, © 2017 RetailMeNot UK Limited and © Associated Newspapers Ltd)

Extract B

Eating behaviours at fast food restaurants

Which of the following statements, if any, apply to you?



(Source: adapted from © 2017 All rights reserved built by interconnect/it)

Extract C**'High frying' Norwich entrepreneurs**

Lord Somerleyton and his business partner Toby Marchant opened Hot Chip in Norwich in June 2013. Within a year, it had won best chip shop in Norfolk at the National Chip Week awards.

They now plan to open a 'Hot Chip Saloon', to target the late-night economy. Lord Somerleyton said: "Before we can turn Hot Chip into a national brand we know we need to have between three and five successfully trading shops."

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The entrepreneurs also hope to open a Hot Chip van. The idea came from visiting Great Yarmouth's chips stalls and the incredible success of chips as a meal in themselves on the continent. Lord Somerleyton said: "We went around 30 to 40 fish and chip shops in East Anglia and found as much as 50% of their sales were just portions of chips."

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Hot Chip sales data showed that chips and cheesy chips had initially been most popular, but customers were increasingly trying more adventurous toppings and sauces, such as: hot salt beef, gherkin relish, melting Swiss cheese and mustard mayonnaise.

(Source: adapted from © 2017 Archant Community Media Ltd)

Extract D**Fast food management styles**

'My Secret Life on the McJob' by Jerry Newman shows the range of management styles used in the fast food business.

Newman found managers differ in the way they operate: "How employees were treated was part of an individual store culture". He describes Toxic Managers as those who use sarcasm or disrespect toward workers; Mechanical Managers were just doing their job – "as if fast food was a slow death". On rare occasions, Newman discovered Relationship Managers whose caring and kindness was extended to workers, even when they were not on the job. He defined Performance Managers as leaders who built relationships to serve as a "means to ensure performance".

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Newman was frustrated by the general lack of training and high employee turnover rates. He includes a chapter called 'Training the Utterly Confused', which explains the missed opportunity to instil the correct work habits immediately. This matches other experts' advice to "give applicants a realistic preview of what to expect on the job". What the customer sees of working in a fast food restaurant can be misleading: "What you see, is not what you get", he says.

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(Source: adapted from © 2017 Dow Jones & Company, Inc. All Rights Reserved.)

- 1 (a) Using the data in Extract A, calculate, to 2 decimal places, the income elasticity of demand for takeaway meals. You are advised to show your working.

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- (b) Using Extracts B and C, explain **one** way in which Hot Chip could change elements of its design mix to reflect eating behaviours at fast food restaurants.

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(c) Assess the likely reasons for Hot Chip using mainly quantitative market research data.

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Creating and setting up a business is one role of an entrepreneur.

- (d) Assess whether this is the most important role of an entrepreneur, such as Lord Somerleyton.

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Hot Chip will employ a manager in each of its outlets. These managers could use a broadly autocratic or democratic leadership style.

- (e) Evaluate these **two** options and recommend which is the most suitable leadership style for a business such as Hot Chip.

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS

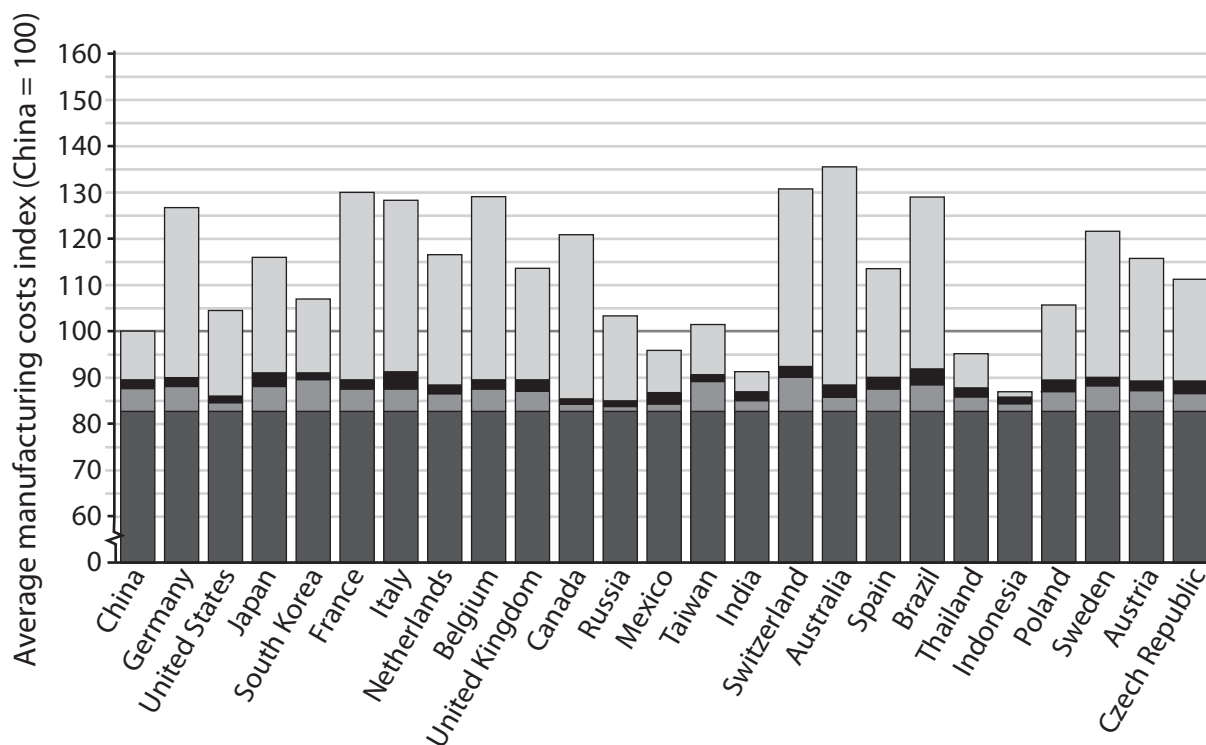
SECTION B

Read the following extracts (E to G) before answering Question 2.

Write your answers in the spaces provided.

Extract E

Comparison of the average manufacturing costs in 2014 (China = 100)



Largest to smallest exporting country



(Source: adapted from © 2017 The Boston Consulting Group)

Extract F

Ebac Ltd

Ebac Ltd is Europe's leading manufacturer of bottled water coolers and domestic dehumidifiers. It is a privately owned, family-run, company. Ebac Ltd has been the market leader in Western Europe for water coolers since the mid-1990s. For the past 30 years Ebac Ltd has continued to expand its UK operations.

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Ebac Ltd employs over 200 people in the North East of the UK, where labour costs are below the UK average. Ebac Ltd retains a strong export focus with 70% of its turnover coming from sales to Continental Europe. In late 2015 Ebac Ltd began a £7m expansion project that would make it the only UK-based maker of washing machines, filling a gap left behind when Indesit moved production of Hotpoint machines to Italy. Ebac Ltd's washing machines will be sold in the UK only.

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Ebac Ltd develops innovative quality products to meet customer needs. Its employees help make this happen.

The Ebac Ltd Foundation was set up in 2012. Its principles include the commitment that all profits are invested back into the company to generate growth and more jobs, and into the community to sponsor training, education and sport.

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(Source: adapted from © Ebac.com)

Extract G

The Haier road to growth

The Tianzun is an air conditioner with a wind tunnel that draws air through it. Haier's rapid introduction of this product is typical of the China-based company's track record since the late 1990s. Since 2011, it has held the largest worldwide market share in white goods*.



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Unlike Western consumers, many Chinese people hand-washed their underclothes every day at home. They found it more hygienic and socially discreet to wash underclothes separately from other clothes and not use public washing machines. In response, Haier launched a small, low-energy washing machine that could easily fit into a small, crowded urban apartment.

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In 1997, recognising the needs of college students in dormitory rooms, Haier launched mini-refrigerators in the United States; it followed with wine refrigerators in 2004. Meanwhile, in Pakistan, Haier sold extra-large washing machines designed for heavy robes.

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Haier is a company worth \$38 billion with upmarket brands in China. Haier is growing in the mass markets of the United States, Europe and Japan, which are dominated by multinationals such as Bosch and Whirlpool.

*'White goods' refers to household appliances such as washing machines, tumble driers, fridge-freezers etc.

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(Source: adapted from © 2017 PwC. All rights reserved)

- 2 (a) Using the data in Extract E, calculate the percentage of the world's top 25 exporting economies that have costs of production **above** those of the United Kingdom in 2014. You are advised to show your working.

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(b) Explain how Ebac Ltd could benefit from exporting its products.

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- (c) Assess the likely consequences of Ebac Ltd continuing to operate as a private limited company.

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(d) Assess the likely impact on Ebac Ltd of choosing the UK as a production location.

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Haier is aiming to continue its global expansion in the white goods market. It could do this by focusing on either global niche markets or global mass markets for white goods.

- (e) Evaluate these **two** options and recommend which approach is most suitable for Haier.

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(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS

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