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Candidate surname		Other names	
Pearson Edexcel		Centre Number	Candidate Number
Level 3 GCE		<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Thursday 23 May 2019			
Morning (Time: 2 hours)		Paper Reference 9EB0/02	
Economics B Advanced Paper 2: Competing in the global economy			
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.*
- Calculators may be used.

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 E) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Food bank use in UK reaches highest rate on record

The UK's national food bank provider has warned that food bank use has soared at a higher rate than ever in the past year, as welfare benefits fail to cover basic living costs. Figures from the Trussell Trust show that in the year to March 2018 1.3 million, three-day emergency food supplies were delivered to people in crisis across the UK – a 13% increase on 2017. This marks a considerably higher increase than the previous financial year, when it rose by 6%.

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Low income is the biggest single – and fastest growing – reason for referral to food banks, accounting for 28% of referrals in 2018, compared to 26% in 2017. The Trussell Trust is calling for benefit levels to be increased in line with inflation, particularly for disabled people and families with dependent children who are more at risk of needing a food bank.

10

(Source adapted from: Food bank use in UK reaches highest rate on record as benefits fail to cover basic costs, by May Bulman © Independent - April 2018)

Extract B

The gender pay gap in the UK

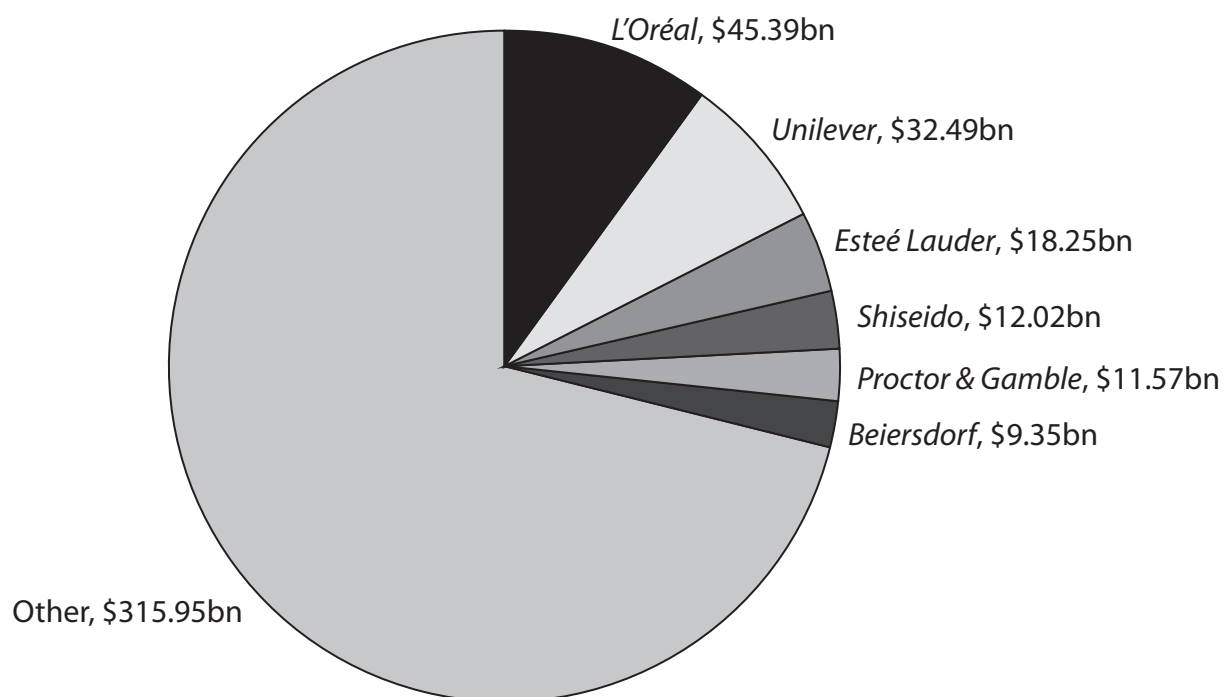
While women hold 45% of full-time 'professional occupations' – including scientists, engineers and health professionals – their hourly earnings are still 11% lower than men. However, on average, women earn 18% less per hour than men in all occupation groups. The number of women working part-time is one of the possible reasons for this gender pay gap.

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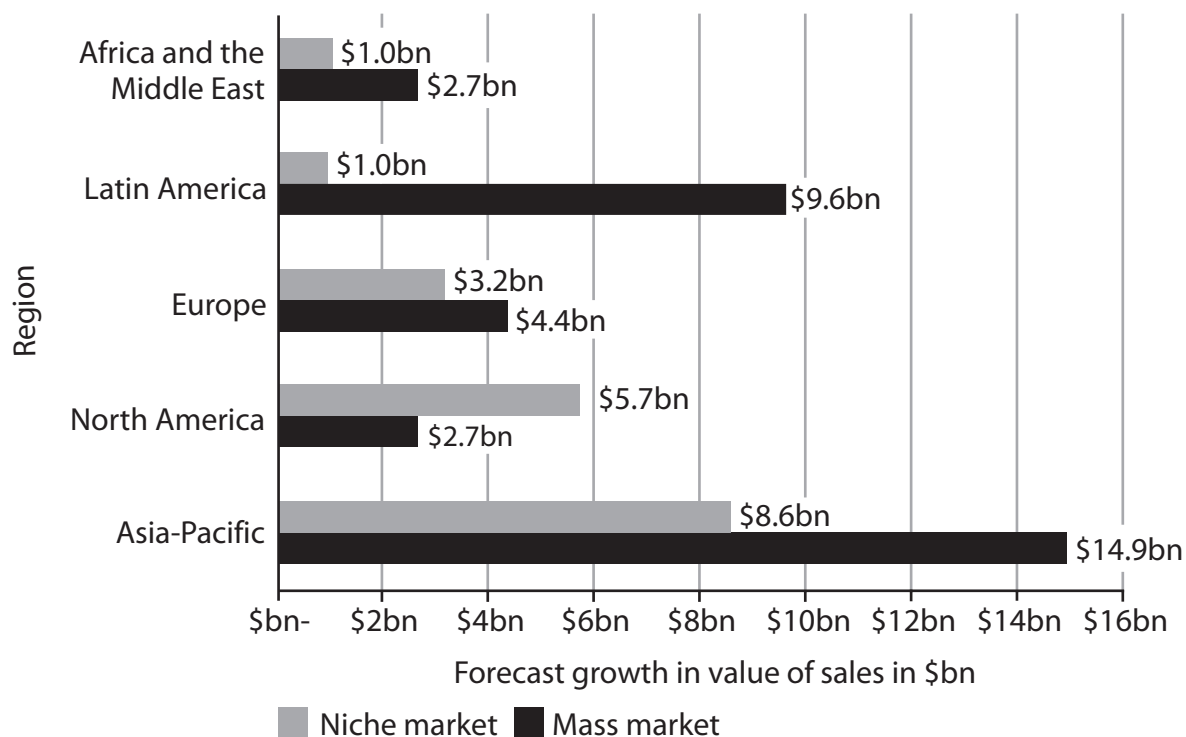
Men are more likely than women to work in highly-paid occupations such as managers, directors and senior officials. Women in these occupations earn, on average, 16% less than men. In skilled trades, for example farmers, mechanics, electricians and chefs, there is a higher proportion of men than women and they earn 25% more. However, for full-time primary and nursery school teachers, where five out of six are women, there is still a pay gap.

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(Source from: Contains public sector information licensed under the Open Government Licence v3.0)

Extract C**Estimated global market share of top 6 cosmetics firms in 2016 (in \$bn)**

(Source adapted from: © 2018 Cloundinary)

Extract D**Forecast sales growth between 2016 and 2021 for niche and mass market cosmetic products**

(Source adapted from: © 2018 Cloundinary)

Extract E***Natura buys The Body Shop from L'Oréal for €1bn (£877m)***

The Body Shop, an ethical British cosmetics firm, operates in 66 countries and has more than 3,000 outlets, 133 of them in Brazil. Its turnover makes it about half the size of *Natura*. Together they would have net sales of about €3.15bn with 3,200 stores worldwide.

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Natura, founded in 1969 in São Paulo, is the largest Brazilian cosmetics company. In 2014, it became the first publicly traded company to be certified as meeting certain standards of social and environmental performance and transparency.

The co-chair of *Natura's* board said, "*Natura* and *The Body Shop* have always walked in parallel, and today their paths meet. The sustainable use of biodiversity in our products, a belief in ethics in management and fair relations with communities and a high degree of innovation constitute the pillars of the journey on which we are now embarking."

10

(Source adapted from: L'Oréal to sell Body Shop to Brazil's Natura in €1bn deal, by Sarah Butler © The Guardian 2017)

1 Estimated global sales revenue in the cosmetics industry in 2016 was \$445bn.

(a) Using the data from Extract C, calculate the total global market share of *L'Oréal*.

(4)

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- (b) Using Extract D, explain **one** possible reason why the growth forecast for the niche market in North America is greater than for the mass market.

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(c) Using Extract A, explain the difference between absolute and relative poverty.

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(d) With reference to Extract B, analyse how underemployment might contribute to the gender pay gap.

(6)

By 2021, total sales of cosmetic products in the Asia Pacific region are forecast to increase by \$23.5bn.

(e) Discuss the likely effects on a firm such as *L'Oréal* of this projected rise in sales.

(8)

- (f) Assess the factors that determine the pricing strategy for a cosmetic firm such as *L'Oréal* when entering an emerging market.

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India imposes quotas on imported cosmetics.

- (g) Using a suitable diagram, assess the likely impact of quotas on Indian cosmetics producers and consumers.

(12)

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(h) Using Extract E, assess the likely benefits to *Natura* of purchasing *The Body Shop*.

(12)

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(Total for Question 1 = 60 marks)

TOTAL FOR SECTION A = 60 MARKS

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QUESTION 2 BEGINS ON THE NEXT PAGE.

SECTION B

Read the following extract (F) before answering Question 2.

Write your answer in the space provided.

Extract F

Call for 'latte tax' of 25p to cut disposable coffee cup waste

The UK throws away 2.5 billion paper cups every year, with many consumers believing they are being recycled when less than 1% actually are. The rest are incinerated or buried in landfill sites because they have an inner-lining made of plastic which paper mills struggle to remove.

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Estimated at 22,845 outlets, the total UK coffee shop market grew by 6% in outlets and 12% in turnover to reach £8.9bn in 2016. For example, between 2008 and 2017, the multinational *Starbucks* went from operating a total of 666 company-operated stores in the UK to 606 company-operated and 345 franchised stores.

However, according to a committee of MPs, a 25p 'latte tax' should be introduced on disposable coffee cups to cut waste. The plan is being considered by ministers amid calls for a complete ban on all disposable cups by 2023, unless manufacturers can make them recyclable. The Environmental Audit Committee is calling on the Government to introduce a minimum 25p charge to cut waste in the same way as the plastic bag tax has done in supermarkets. The money raised should be spent on improving "binrastructure", MPs said, including better recycling points around the country and in workplaces.

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15

(Sources adapted from: <http://www.telegraph.co.uk/news/2018/01/05/call-latte-levy-cut-disposable-coffee-cup-waste/> and <http://www.ukcoffeeleadersummit.com/yet-growth-uk-coffee-shop-market-coffee-shops-become-new-local/> and <https://www.statista.com/statistics/266465/number-of-starbucks-stores-worldwide/>)

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- 2 Evaluate the extent to which the environmental impact of multinational firms, such as *Starbucks*, can be controlled by governments.

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

Read the following extracts (G and H) before answering Question 3.

Write your answer in the space provided.

Extract G

Production at *Toyota*

The fourth-generation *Toyota* Prius has two large production lines that stretch away into the distance. Some buildings house the trim workshop. In other buildings, completed body shells roll in, have their doors removed (which make their way in pairs along a separate line) and the interior, hybrid system, dashboard and seats are installed. The factory, which has been making the Prius since 2003, produces 430,000 cars a year. From 6.30am to 1am, it can turn out a Prius every minute.

5

This is the Toyota Production System (TPS) at work, turning the immense complexity of car-making into a series of simple stages. Each step is serviced using the just-in-time manufacturing process by the relevant parts supplier. The system is controlled by the workers themselves, who have autonomy over stopping and starting the line to resolve issues.

10

The system is about efficiency in all its forms. The process utilises the Kaizen system. *Toyota* has this down to a fine art, employing teams to roam the factory and scout for potential problems and possible efficiencies. On posters and shirts the plant's official mascot preaches health and safety.

15

(Source adapted from: © Condé Nast Britain 2018)

Extract H

Problems with production at *Tesla*

In 2010, *Tesla* acquired a large factory, previously owned jointly by *General Motors* (GM) and *Toyota*, for the low price of \$42m. What it did not get as part of the deal was knowledge of and experience in lean production.

Increasing output of a car manufacturing line is difficult. For a new firm, reaching efficient and lean operation at the level of *Toyota* and GM is extremely challenging. Consumer blogs reveal an increasing number of faults, many having to do with quality control of interior fit and finish. *Tesla* appears to be struggling with fundamental quality control issues and manufacturing tolerances that are not as strict as consumers expect from luxury cars.

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A recent report from California-based 'Worksafe', claims *Tesla's* employee injury and illness rates are significantly higher than the average for the car industry. There are long-standing, carefully-followed practices at any established assembly manufacturing plant but they were not purchased with the factory. Indeed, becoming a world-class volume car manufacturer is not easy. Decades of perfecting supply chains and manufacturing methods, monitoring the smallest details, all those intangible assets that *Tesla* did not purchase with the factory, are critical.

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(Source adapted from: Tesla Will Have a Tough Time Ramping up Production. Here's Why', © Joe Barkai Jun 28, 2017, Industry Week)

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- 3** Evaluate the extent to which quality is important for car manufacturers such as *Toyota* and *Tesla*.

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 100 MARKS

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