

Please check the examination details below before entering your candidate information

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**Pearson Edexcel Level 3 GCE**

**Thursday 18 May 2023**

Morning (Time: 2 hours)	Paper reference	<b>9EB0/01</b>
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**Economics B**

**Advanced**

**PAPER 1: Markets and how they work**

<b>You do not need any other materials.</b>	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–E) before answering Question 1.

Write your answers in the spaces provided.

Extract A

**Competition watchdog to review UK music industry over power of big firms**

The competition watchdog, the Competition and Markets Authority (CMA), is launching a review of the UK music industry. This will address concerns about the power of big music firms and ensure that the music industry is competitive, thriving and works in the interests of the consumer.

5

Andrea Coscelli, chief executive of the CMA, said: "Over the past decade, the music industry has evolved almost beyond recognition, with streaming now accounting for more than 80% of all music listened to in the UK. Whether you are into Bowie, Beethoven or Beyoncé, most of us now choose to stream our favourite music. A market study will help us to understand these radical changes and build a view as to whether competition in this industry is working well or whether further action needs to be taken."

10

Music firms have argued that competition remains fierce in the UK music industry, which has produced global artists such as Adele, Ed Sheeran and Coldplay, while many lesser known British artists are thriving in the streaming age.

The rise of streaming platforms, such as *Spotify* and *Apple Music*, has triggered an international debate over who benefits from the money generated by the boom in digital music.

15

(Source: adapted from <https://www.ft.com/content/1399b213-df27-46a5-902b-41842a1cab8b/>)

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## Extract B

### Selected financial information for *Spotify* for the year end 30 December 2020 and 2021

	2021 (€m)	2020 (€m)
Revenue	9 668	7 880
Gross profit	2 591	2 015
Operating profit/(loss)	94	(293)
Research and development (R&D)	912	837

(Source: adapted from <https://investors.spotify.com/financials/default.aspx>)

## Extract C

### *Spotify's* pricing structure

*Spotify* is a music streaming platform that gives users access to a large catalogue of music. It offers two types of access: a basic free service, known as 'freemium' with advertisements and an unlimited premium service without advertisements for a subscription fee.

5

The premium version of *Spotify* offers uninterrupted access to music across all devices, including smartphones, tablets and televisions. The premium version enables downloading of songs to devices for offline listening and high-quality audio.

The premium version is available at varying monthly subscription fees as follows:

- Students £5.99
- Individuals £9.99
- Couples £13.99
- Family £16.99.

10

(Source: adapted from <https://insights.daffodilsw.com/blog/how-spotify-works-business-model-and-revenue-streams>)

## Extract D

### This Is Music 2021 Report

This Is Music is the annual economic study by *UK Music* and its members. In 2021 it found:

	2019	2020
Number employed in the music industry	197,000	128,000
Music industry's economic contribution	£5.8bn	£3.1bn
Music exports	£2.9bn	£2.3bn

Glastonbury was among hundreds of festivals and live music events cancelled after restrictions were imposed in March 2020. The impact was felt right across the industry as studios and venues were forced to close, and musicians and crew were unable to work.

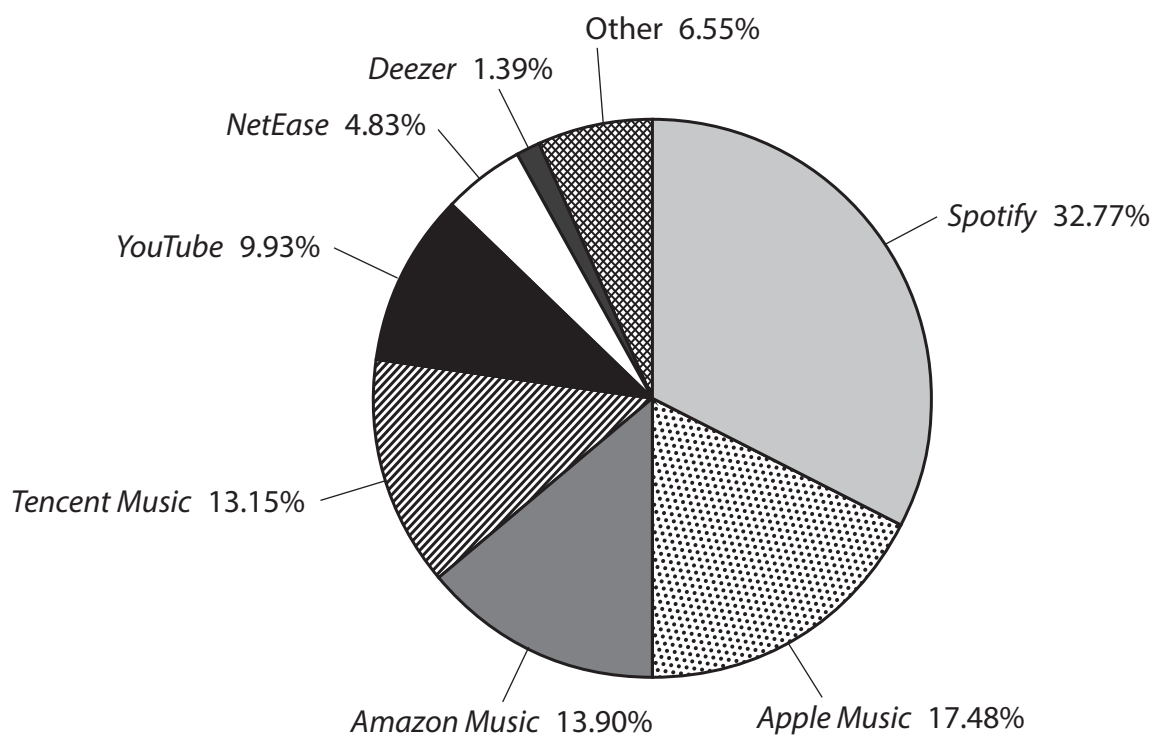
In an industry where three-quarters are self-employed, many were not covered by government support schemes. This resulted in thousands of music creators, crew and others leaving the industry.

*UK Music* is calling on the UK Government to implement tax incentives for the music industry to stimulate growth and jobs. This includes a reduction in value added tax (VAT) on tickets for live music events.

(Source: adapted from <https://www.ukmusic.org/research-reports/this-is-music-2021/>)

**Extract E**

**Global market share for music streaming platforms 2022**



(Source: adapted from <https://seekingalpha.com/article/4527977-spotify-rapid-growth-high-retention-and-undervalued>)

- 1 (a) Explain **one** method the Competition and Markets Authority (CMA) could use to research the music streaming industry.

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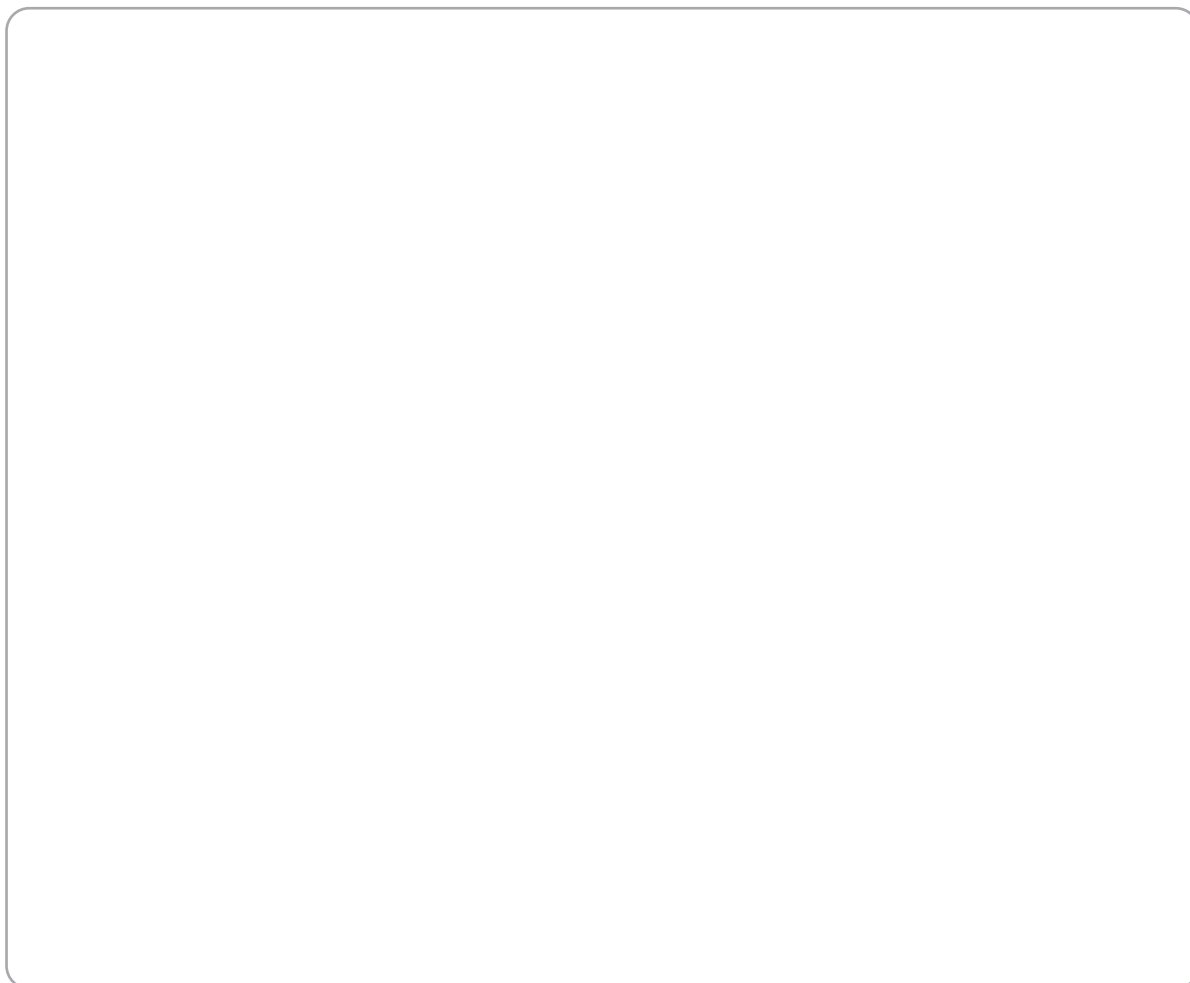
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- (b) Using a supply and demand diagram, illustrate the impact on the market for traditional music formats following the increase in music streaming.

(4)



- (c) Using the data from Extract B calculate, to two decimal places, the percentage of revenue spent on research and development (R&D) by *Spotify* in 2021. You are advised to show your working.

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(d) Analyse **two** possible reasons why *Spotify* might have increased its spending on R&D.

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(e) Discuss the benefits for *Spotify* of using price discrimination.

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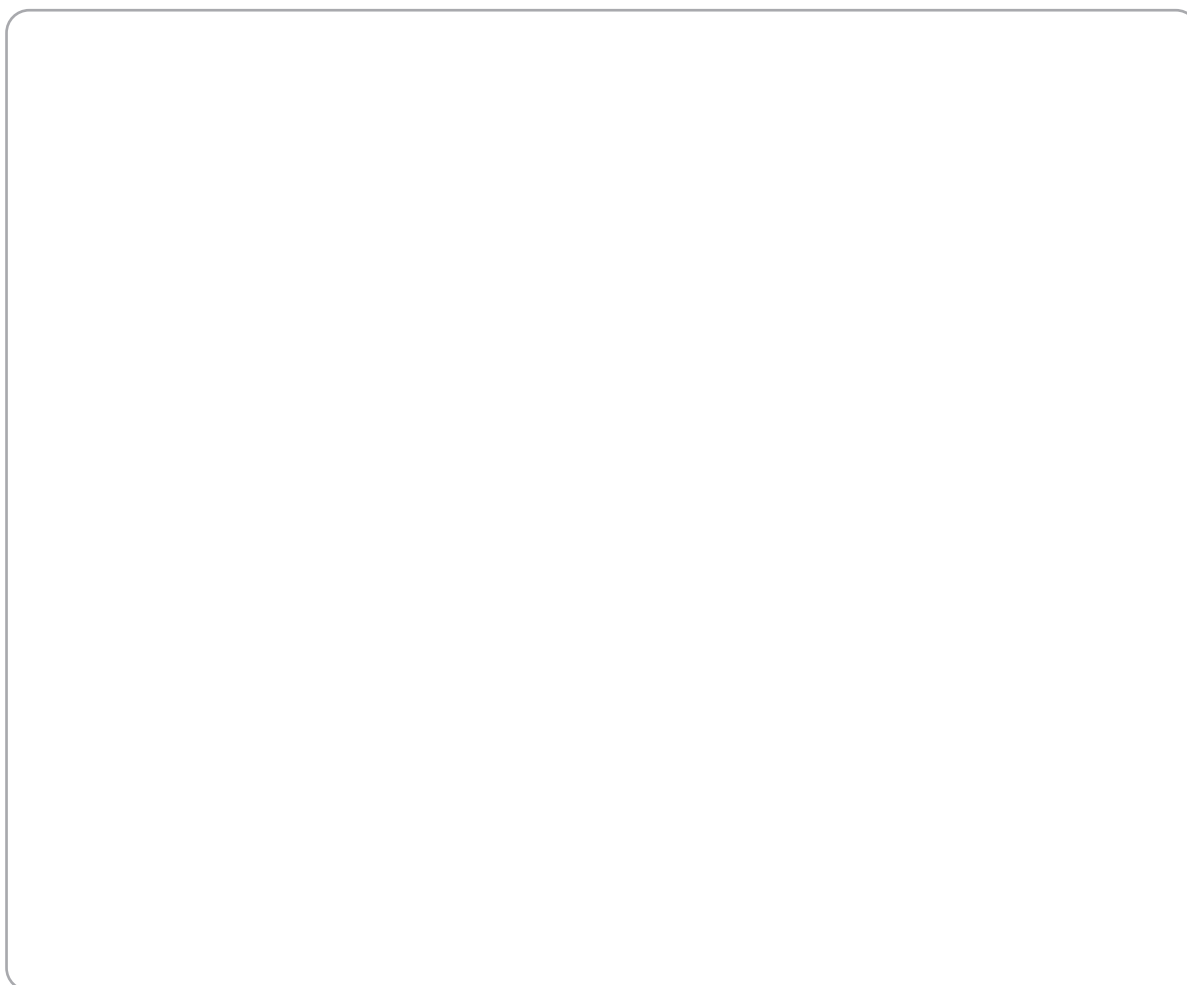
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- (f) Using a supply and demand diagram, assess the likely impact on the market for live music if the UK Government reduced VAT on tickets for live music events.

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(g) Assess the implications of a fall in unemployment for firms within the music industry.

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(h) Assess the benefits for consumers of the music streaming industry being an oligopoly.

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TOTAL FOR SECTION A = 60 MARKS





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## SECTION B

Read Extract F before answering Question 2.

Write your answer in the space provided.

### Extract F

#### Children whose parents smoke are four times as likely to take up smoking themselves

A new film from the UK Government's Better Health Smoke Free campaign was released in December 2021 to discuss how adult smokers can influence younger people.

Top medical experts in the film warn that teenagers whose parents or carers smoke are more than twice as likely to have tried cigarettes and are four times as likely to become a regular smoker. 5

The film aims to give smokers a strong motivation to quit in January and is part of a wider package of free NHS resources such as expert help from local Stop Smoking Services.

Deputy Chief Medical Officer Dr Jeanette de Gruchy said, "Smoking is terrible for your health but it also has a negative impact on people around you. We should not overlook the impact that parents have as role models. By stopping smoking now, parents can help break the pattern of smoking in their family across the generations, protect their children and improve their own health." 10

The campaign comes as the most recent data from the Office for National Statistics (ONS) shows that one in eight adults in England still smokes and most smokers start when they are in their teenage years. 15

(Source: adapted from <https://www.gov.uk/government/news/children-whose-parents-smoke-are-four-times-as-likely-to-take-up-smoking-themselves>)

2 Evaluate the effectiveness of the UK Government providing information to reduce the number of smokers in the UK.

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**TOTAL FOR SECTION B = 20 MARKS**



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## SECTION C

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

Write your answer in the space provided.

### Extract G

#### UK job vacancies in 2022

The number of job vacancies in the second quarter (Q2) of 2022 was 1,294,000; this was a small increase of 6,900 from the previous quarter and an increase of 498,400 since the first quarter (Q1) of 2020.

Occupational areas	Percentage growth in job vacancies Q1 2020 to Q2 2022
Accommodation and food services	107.1%
Financial and insurance	87.7%
Digital information and communication	85.2%
Electricity, gas and air conditioning supply	75.8%
Construction	68.6%
Transport and storage	50.7%
Education	44.2%
Wholesale and retail trade	24.2%

(Source adapted from: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/july2022>)



Extract H

Package to transform education and opportunities for most disadvantaged

Education will be at the heart of major new reforms set to give every child and adult the skills they need to fulfil their potential, no matter where they live. The government has identified 55 areas of the country where school outcomes are the weakest. These include Rochdale, the Isle of Wight, Walsall, parts of Yorkshire and Sunderland. 5

In these new ‘Education Investment Areas’, the Department for Education will offer retention payments to help schools keep the best teachers in the highest priority subjects. New specialist sixth-form schools will be built to ensure talented children from disadvantaged backgrounds have access to the highest standard of education. 10

Alongside these reforms thousands more adults will soon be able to access free, flexible training and get the skills needed to secure careers in sectors including green technology, digital and construction. This is part of an additional £550 million boost to expand the existing Skills Bootcamps across the country. 15

Skills Bootcamps are aimed at people 19 years or over who are employed, self-employed, unemployed or are returning to work after a break. The target is for 200,000 more people in England to complete these training courses each year by 2030.

(Source: adapted from <https://www.gov.uk/government/news/package-to-transform-education-and-opportunities-for-most-disadvantaged>)

- 3 Using an AD/AS diagram, evaluate the impact of improving the skills and quality of the labour force for the UK economy.

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

