

Please check the examination details below before entering your candidate information

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**Pearson Edexcel Level 3 GCE**

**Monday 5 June 2023**

|                         |                 |                |
|-------------------------|-----------------|----------------|
| Morning (Time: 2 hours) | Paper reference | <b>9EB0/03</b> |
|-------------------------|-----------------|----------------|

**Economics B**

**Advanced**

**PAPER 3: The economic environment and business**

|  |   |
|--|---|
| <b>You must have:</b><br>Insert (enclosed) | Total Marks<br><input style="width: 100px; height: 40px;" type="text"/> |
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### 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

**Whitsuntide hirings\* – 16th April, 1879**

Tuesday was the half-yearly hiring for Penrith. There was a large attendance but the people seeking employment were far in excess of those requiring labour. As a necessary consequence the wage rates were lower than at previous hirings.

(Source: adapted from The Carlisle Journal April 16th 1879)

*\*Hirings took place twice a year in rural areas such as Cumbria. They enabled all those seeking work as servants to meet with prospective employers and negotiate wages and terms of employment.*

Extract B

**Big Auto Had The Ultimate Barriers To Entry – Then Tesla Broke Through**

Before the rise of *Tesla*, conventional wisdom held that it would be practically impossible for a start-up company to challenge the giants of the car industry. When economics professors explained the concept of barriers to entry, the car industry was usually the prime example. Selling cars in volume requires not only massive industrial resources, but a highly complex supply chain and dealer network, so a start-up could not possibly enter the industry and compete.

5

Events have shown that this model was not valid – or perhaps it would be more accurate to say that it was no longer valid, considering the growing importance of software and technology in the auto industry. In retrospect, *Tesla* was in the right place at the right time with the right idea.

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(Source: adapted from <https://cleantechnica.com/2022/03/03/big-auto-had-the-ultimate-barriers-to-entry-then-tesla-broke-through/>)

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## Extract C

### What Is Good Global Marketing?

#### **Red Bull**

Austrian company *Red Bull* is the world's leading energy drink company, selling over 7.5 billion cans every year. Its distinctive packaging is recognised globally, as is its long running slogan "*Red Bull gives you wings*".

5

One of its most successful tactics is to host extreme sports events all over the world. From the *Red Bull* Indianapolis Grand Prix in America, to the *Red Bull* Air Race in the UK, to the *Red Bull* Soapbox Race in Jordan, the brand's universal strategy takes it here, there and everywhere.

#### **Dunkin' Donuts**

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In the US, National Donut Day happens every year in June. While Americans get their hands dirty with a Boston crème (or two), *Dunkin' Donuts* China serves up a fresh batch of dry pork and seaweed donuts.

With over 3,200 stores in 36 countries *Dunkin' Donuts* has evolved its menu to satisfy the sweet tooth of its global customers.

15

From Korea's Grapefruit Coolata, to Lebanon's Mango Chocolate Donut and to Malaysia's Mochi Waffle, it is clear that *Dunkin' Donuts* isn't afraid to celebrate cultural differences in an effort to strengthen its international presence.

(Source: adapted from <https://blog.hubspot.com/marketing/global-marketing-and-international-business>)

## Extract D

### Digital markets

The emergence of the digital economy has been a powerful force bringing about increased competition across a wide range of products and services.

Digital platforms are at the forefront of innovation and disruption in various industries across the globe.

5

Some of the most valuable companies in the world – *Google*, *Amazon*, *Facebook* and *Apple* – all embraced a digital platform business model for some or all of their activities. Taxi apps such as *Uber* and *Lyft* have revolutionised the taxi business model. Hotel and restaurant booking platforms such as *Booking.com* and *OpenTable* changed the way in which we plan holidays and evenings out.

10

While most consumers embrace and enjoy the 'free' services that many of these companies offer, concerns have been expressed by traditional media and retail businesses that have been negatively affected by the digital economy. Other businesses whose access to markets is increasingly reliant on digital platforms are worried about the power these platforms now wield.

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(Source: adapted from <https://globalcompetitionreview.com/guide/digital-markets-guide/first-edition>)

## Extract E

### Market values of digital platform firms vs comparable traditional firms\*, 2018

| Firm                    | Start year | Employees | Market capitalisation<br>(billion \$) |
|-------------------------|------------|-----------|---------------------------------------|
| <i>BMW*</i>             | 1916       | 131,000   | 51                                    |
| <i>Uber</i>             | 2009       | 16,000    | 76                                    |
| <i>Marriott Hotels*</i> | 1927       | 177,000   | 39                                    |
| <i>Airbnb</i>           | 2008       | 10,000    | 38                                    |
| <i>Disney*</i>          | 1923       | 199,000   | 163                                   |
| <i>Facebook</i>         | 2004       | 35,000    | 473                                   |

(Source: adapted from <https://reports.weforum.org/digital-transformation/wp-content/blogs.dir/94/mp/files/pages/files/digital-platforms-and-ecosystems-february-2019.pdf>)

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- 1 (a) Discuss if wage rates in a modern labour market are always determined by supply and demand.

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(b) Assess how barriers to entry affect market structure.

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(c) Assess the benefits for a firm of adapting its marketing strategies for global markets.

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(d) Evaluate the impact of the digital economy on markets and firms.

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(Total for Question 1 = 50 marks)

**TOTAL FOR SECTION A = 50 MARKS**



## SECTION B

Read the following extracts (F–I) before answering Question 2.

Write your answers in the spaces provided.

### Extract F

#### **Indian Oil Corporation (IOC) enters niche segment with Bikers Cafe**

As competition in fuel retailing grows, the *IOC* has launched a unique Bikers Cafe to cater to the needs of motorcycle expeditions to the Himalayas.

*IOC* has turned one of its most popular petrol stations at Shogi just outside Shimla, India, into a bikers' cafe. Apart from fuel, it offers a resting area, a parking area for motorcycles, clean toilets with hot water, seating areas, a cafeteria with heater, a shop and Wi-Fi.

5

The venture has increased total revenue and petrol sales are up by 17.22%. Similar projects are planned at other strategically located petrol stations on the popular Chandigarh-Manali route to the mountains.

(Source: adapted from [https://www.business-standard.com/article/companies/ioc-enters-niche-segment-with-bikers-cafe-to-meet-needs-of-expedition-rides-122071700219\\_1.html](https://www.business-standard.com/article/companies/ioc-enters-niche-segment-with-bikers-cafe-to-meet-needs-of-expedition-rides-122071700219_1.html))

### Extract G

#### **Commission opens in-depth investigation in Slovenia**

The European Commission has opened an in-depth investigation to assess the proposed takeover of *OMV Slovenija* by the *Hungarian Oil and Gas plc (MOL)* under the EU Merger Regulation. The Commission is concerned that the proposed transaction may reduce competition in the retail motor fuel markets in Slovenia.

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*OMV Slovenija* and *MOL* are, respectively, the second and third largest fuel suppliers in Slovenia after *Petrol*, the partially state-owned company.

*OMV Slovenija* has a network of 119 fuel stations and in addition, supplies bitumen and heating oil. *MOL* has a network of over 2,000 fuel stations in nine countries in Europe with 53 in Slovenia.

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(Source: adapted from [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_3974](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_3974))

**Extract H**

**Energy crisis: why French households are largely protected from soaring costs but British families struggle**

In 2022, British households are bracing for a winter of massive energy price increases. The average annual bill is forecast to rise above £4 000, which is more than three times what they were paying just 12 months ago.

5

French households, meanwhile, will barely see their prices increase. The French Government has limited the increase of the regulated price of electricity to 4% per year.

The difference between the two countries, both with interconnected electricity grids, is huge. By reflecting the actual market price of electricity generation, Great Britain's model forces consumers to reduce consumption and encourages investment in production.

10

In contrast, the French approach uses subsidies by the government and the monopoly state-owned producer EDF, which costs taxpayers billions and postpones big decisions on energy efficiency and investment in future production.

(Source: adapted from <https://theconversation.com/energy-crisis-why-french-households-are-largely-protected-from-soaring-costs-while-british-families-struggle-188417>)

**Extract I**

**Emissions reduction: Address market failure**

Economic growth and energy consumption are inextricably linked. The Indian Government has set an annual economic growth rate of 8.5% between 2012 to 2047. Achieving this estimated growth rate in a sustainable fashion requires a big reduction in carbon emissions, while keeping efficiency, equity and fairness in its policies.

5

There is a consensus that the climate crisis is a feature of market failure. The economic activities by consumers (such as driving or air-conditioning) and producers (such as electricity generation and manufacturing) cause emissions, leading to pollution and global warming.

These are negative externalities not accounted for in the private costs, leading to outcomes that are not efficient. As a result, actual costs to the consumers, producers, and society are not reflected in the market interactions leading to an uncontrolled rise in emissions.

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The solution to the problem of market failure calls for government intervention.

The 2006 Stern Review on the Economics of Climate Change argues that taxation, trading of emissions permits, regulations, technology adoption, and energy-efficiency measures can be critical for emissions reduction.

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(Source: adapted from <https://www.hindustantimes.com/opinion/emissions-reduction-address-market-failure-101650377796014.html>)

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2 (a) Discuss the benefits for a firm of operating in a niche market.

(8)

(b) Assess the likely impact of the proposed takeover of *OMV Slovenija* by *MOL* on the market for fuel in Slovenia.

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(c) Using a suitable diagram, assess the benefits of a subsidy in a market such as the French energy market.

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(d) Evaluate government policies that can be used to deal with market failure in an economy caused by emissions.

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





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**Pearson Edexcel Level 3 GCE**

**Monday 5 June 2023**

Morning (Time: 2 hours)

Paper  
reference

**9EB0/03**

**Economics B**

**Advanced**

**PAPER 3: The economic environment and business**

**Insert**

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**Pearson**

## Investigating the Economic Environment and Business

### Context

This year the context is **markets** or **the market** at the local, regional, national and global level.

### Research

To prepare for this year's context, you should research:

- market forces and the different types and characteristics of markets
- how individuals and firms respond to changing market conditions
- market structure and the impact on economic agents
- market power and market regulation
- market failure and market intervention.

You **cannot** take any of your research or investigation data carried out as part of the pre-release into the examination.