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Examiners' Report
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IAL Business Studies WBS04 01

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Introduction

The June paper seemed to discriminate well, with candidates accessing a wide range of marks, with some good, and occasionally very good, responses to the questions set. Having said that, there were also some very weak responses that showed little understanding of, or even familiarity with, the specification content and the standard expected of an A2 candidate.

The main reasons for some otherwise able students underachieving were 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.

Some of the students missed out on marks because they did not answer the question that was set. Some students missed out several whole questions.

It is worth reminding future students of the need to apply proper context to all responses. Repeating generic or stock answers or just copying the text out will not access the higher levels of the mark scheme.

There was very little evidence to suggest that candidates did not have enough time to complete the paper.

Question 1 (a)

Most candidates knew what a franchise was, but some failed to fully develop their definitions, mostly because they missed the point about having to pay for a franchise in some way and therefore only gained 1 mark.

Stronger answers identified key phrases such as paying for a license to trade, payment of royalties, sharing profits, following set processes and the vast majority recognised it included the right to trade under an established brand name.

A significant number offered examples such as McDonalds, KFC and Dunkin Donuts.

1 (a) What is meant by the term franchise? (Evidence B, line 8)

(2)

~~Franchise is when a popular brand offers to others to rent its logo and open an outlet. using~~

A franchise is a type of business organisation where a popular multinational brand sells ~~its~~ rights to open an outlet of their business in exchange for a fix fee and share of profit.

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Examiner Comments

A clear definition that scored 2 marks

Question 1 (b)

The majority of candidates knew what a market segment was.

Those that defined it well gave examples of ways in which a business could segment a market, either by using common characteristics such as age, gender and income or by using the case study and referring to different groups of holidaymakers such as bird-watchers or those who took a cruise.

This response scored just 1 mark.

(b) What is meant by the term market segment? (Evidence B, line 9)

(2)

divided ~~...~~ groups made to fit different markets. market divided into subgroups with similar characterisitics.

ResultsPlus
Examiner Comments

This response is too brief and not detailed enough to get the second mark.

ResultsPlus
Examiner Tip

If you are not certain of your definition, give a valid example.

If this response had added '*For example all those holiday markers who prefer cruises*', it would have gained 2 marks.

Question 2

The majority of students recognised premium pricing as a benefit of operating in a global niche market and usually explained this with either 'adventure tourism' or 'diving/bird watching' as their application. However, a significant number did not include any application, so could not access all the available marks. A few candidates took the different, but perfectly valid, approach of looking at the benefits of being in a 'global' niche as opposed to a 'local' niche.

Other benefits were not generally as well recognised or explained. A significant number mentioned less competition but could not satisfactorily explain how or why this was a benefit. Similarly, there were a number of candidates that used 'meeting customer needs' as a benefit, but failed to differentiate this enough from any other type of business.

This response scored 2 marks.

2 Explain **two** benefits to a business of operating in a global niche market.

A global niche market is a market specified for a target audience, however, is not limited by geographical location

Firstly, the competative environment is much smaller therefore allowing for companies to have higher market share and higher sales, since there are less companies to divide customers

Secondly, the target audience are often enthusiasts and have no problem with "paying premium" for the product or service

On the other hand, there are less consumers in a niche market, therefore seasonal or one-time purchases ~~s~~ products could struggle with market growth or even maintaining a stable market share

ResultsPlus
Examiner Comments

The 2 marks were awarded for identifying two benefits (knowledge), but it lacked both application and analysis.

There are no marks available for the definition and the attempted evaluation.

ResultsPlus
Examiner Tip

At A2 level, no marks are available for definitions or evaluation on questions 2 and 3.

If you do include these, you are wasting valuable exam time.

This response scored 5 marks.

2 Explain **two** benefits to a business of operating in a global niche market.

A global niche market ~~are~~ is small groups of people from different parts of the world who have similar tastes and interests and form a larger niche market.

Firstly, when a product is in a niche market it means there will be little competition. This means the demand curve is relatively inelastic as consumer do not have many substitutes and would be willing to pay a high price. "Diving and birdwatching... these are not common... people are willing to pay premium." This means increased ~~profit~~ revenue for further investments into quality of product. Secondly, due to lack of rivals and high market share, a business can get increased customer loyalty. This means customers will keep returning and giving their business.

(Total for Question 2 = 6 marks)

ResultsPlus
Examiner Comments

The first benefit is identified and then developed with an example as application and scored three marks.

The second benefit is also identified and developed but lacks application and therefore scored just 2 marks.

Once again, a definition is offered but cannot be rewarded.

Question 3

Most candidates offered valid reasons with economies of scale being the most common.

Many responses lacked depth and were assertion based, simply stating that they would make more money and greater profit without explaining how or why, which failed to convince.

The usual weaknesses lay either in lack of context, or failing to analyse sufficiently to gain the two extra analysis marks available. Some good responses looked at the different nature of the two businesses and explored the ideas of synergy and mutual benefit.

This response scored all 8 marks.

3 Analyse **two** possible reasons why global businesses, such as *Travel Leaders Group* and *ALTOUR*, may merge.

Merge - is when 2 businesses permanently join forses to creat a 3company that is stronger.
Travel leaders Group and AlTOUR merge and form a single travel agency with $23.6bn in annual sales. This will alow them to get a greater market power increasing there sales and revenue. making existing shareholders happy attracting new potenciale mones allowing the company further grow and develop. This also means they will be able to unite there power and benefit from EOS reducing average unit cost becoming more efficient atracting new customers if they decide to lower prices or enjoy high profit if keep prices the same.
If they merge Travel Group will get acess to united States market avoid probleme reducing setting up time and AlTOUR will get acess to specific devisions such as cruises and tours. This will help bouth companies reduce time and money to set up and will allow them to get acess to the market faster benefiting from 1 movers advantage increasing market sales. This also means that they will have acess to local knowlege and have expert staf that will help reduce time for market research, reduce mistakes avoid waste of time and need to redoo and reimage the firm. However they must be carful as merge can lead to conflict and DEOS as there can be problem in comunication and leadership stiles diference

(Total for Question 3 = 8 marks)

ResultsPlus
Examiner Comments

An excellent answer that is clear, convincing with good application and development of the analysis.

Question 4

A significant number of students identified GDP per capita as the amount of disposable income per head in a country, subsequently the development of their answer was incorrect. Many lifted figures from the evidence but did not refer to these in their analysis. Having said that, there were some good responses that used the evidence well and had a good understanding as to potential weaknesses such as inflation and distribution of income.

This response reached Level 3 and scored 5 marks.

4 Assess how effective GDP per capita is at measuring growth.

(10)

GDP per capital means measuring the productions of goods and services sold in a country over a period of ~~of~~ time divided by the total number of people in that country.

In 2010 the GDP ~~for~~ in Papua New Guinea was $2154. In 2017 was expected to be $2701. ~~In~~ Is an increase in income.

Measuring GDP is effective as it will show how well the ~~greater~~ country is doing, which will help business to see if they want to invest there.

They were measuring an ~~eco~~ increase growth from 2010 to 2017. By doing this, PNG tourism can predict how their business will go, as if there is an increase in GDP, it will mean consumers have more disponsible income so the demand for goods and services will increase. Or the the other way round.

However, measuring GDP per capital in the future ~~can't be~~ doesn't mean it is going to work out as it is unpredictable. or it may be that there is an increase in GDP per capital but residents still dont want to spend

on goods and services. which means the
demand for good falls.

ResultsPlus
Examiner Comments

A limited response that shows knowledge and understanding with some basic analysis. The attempted evaluation fails to convince and has wandered away from the question.

Question 5

The question about the ease of doing business was generally fairly well answered. The majority could present a good analysis of what it meant and why it helped in setting up a production location. However, there were some who did not understand what it meant despite the guidance in the extract and there were even some blank responses to this question

There were some good answers for this, with clear understanding and a discussion of other factors that may also be important, leading to an overall judgement. Better responses contrasted the importance in the short term with the long term.

This response reached Level 4 and scored 8 marks.

5 **Assess the importance of the Ease of Doing Business when choosing a production location.**

(12)

The ease of doing business is the time it will take for a business to set up in a ~~p~~ country and the obstacles it will have to overcome in order to do so. Obstacles include regulations, government innefiencies and red tape.

Papa new Guinea went from being ranked 119 in 2016 to 109 in 2017. Subsequently their GDP per capita went from 2151$ to 2701$ in 7 years.

This shows that as countries promote ease of doing business and facilitates foreign businesses wanting to set up or offshore in Papa New Guinea. FDI rises, countries are attracted to it, employment is created, tax revenue increases and so does disposable income creating a positive multiplier effect and encouraging other businesses as this creates a new potential range of customers as well as secured expansion and development.

Red tape and other forms of regulations slowing the process of setting up costs money and time to overcome it and could make a business loose the first mover advantage or the opportunity to capture market share in a dynamic market.

Ease of doing business also means less costs will involved in legal framework and the need for experts to deal with regulations and extensive laws meaning costs savings, and can be a deciding factor when choosing location.

Other factors however may be much more important such as infrastructure, political stability and location and proximity to other markets.

Ease of doing business is only one aspect of what facilitates business set up and encourages FDI, and present challenges that can easily be overcome. Non ease of doing business may be a way of a country to protect its local business and discourage MNCs or other business with little care for the communities or its possible negative impact on the environment that want to set up.

Other factors that don't include ease of doing business could be even more attractive such as the recent rise in FDI in Mexico due their membership in NAFTA and their proximity to lucrative US market.

ResultsPlus
Examiner Comments

Knowledge and analysis are good with some application. Evaluation is there, but it needs to be developed more to move further into Level 4. For example, the last paragraph on NAFTA does not fully explain why this is important.

ResultsPlus
Examiner Tip

On the longer Levels based questions, it is the evaluation that is important, make sure you are clear in your arguments and always back them up with examples.

Question 6

SECTION B

The case studies were accessible to candidates and acted as good platforms from which candidates could apply relevant business theories. For the candidates that did not do so well in the 20 mark questions, it was usually because they had simply copied out, or re-written, the evidence with little or no attempt at analysis or evaluation. Conclusions were rare indeed.

Question 6

The majority of candidates appeared to enjoy the question about the importance of promotion when entering a global market. This proved to be one of the best answered questions on the paper. The majority were able to present a good analysis with plenty of application from the case study and their own knowledge. However, evaluation was often weak with just a throw-away remark such as ‘the other three P’s need to be taken into consideration’. Even those who attempted to extend their answer on the other three Ps would write about price, product and place in general terms.

It was a rare response that used examples from their own knowledge, which was rather surprising given the accessibility of the question and the range of well-known brands that have adapted the marketing mix in one way or another.

This response reached Level 2 and scored 6 marks.

6 Evaluate the importance of promotion in the marketing mix when entering a global market.

(20)

The marketing mix is the different aspects of ~~p~~ marketing that a business needs to take care of in order to market its products successfully. Product, place, price, promotion.

Global markets are highly competitive so promotion is an important part of the marketing mix for a variety of reasons.

Firstly, promotion may help raise brand awareness. It helps ~~people~~ potential customers find out about your product and maybe try a few test samples which could lead them to purchasing the product.

Not taking promotion into consideration would result in people being unaware of the product and lead to ~~[illegible]~~ low sales and market share.

~~[illegible]~~ Low sales and market share would result in low profits or maybe loss. This would make it different to expand or continue business and if its a PLC, it would lead to unsatisfied shareholders.

Global markets are very big and competitive so it is extremely difficult to bring your product in to the spotlight.

as there are so many competitors with similar products. One really has to promote ~~it~~ their product and showcase its USP in order to get their product out out there.

If the promotion strategy is ~~unappe~~ unappealing to customers and they do not buy, the business will lose all the money spent on marketing and face serious losses.

Therefore, promotion is a vital part of the marketing mix and could ~~result in~~ result in a huge success or failure according to how efficient and appealing it turns out to be.

ResultsPlus
Examiner Comments

This response relies on general assertions with little meaningful analysis. Unfortunately, it has no application or evaluation and is confined to Level 2 as a result.

ResultsPlus
Examiner Tip

Always, always use valid examples and evaluate!

This response reached Level 4 and scored 14 marks.

6 Evaluate the importance of promotion in the marketing mix when entering a global market.

(20)

The marketing mix consits of the 4p's: price, place, product and promotion and help a business plan for a new product they are innovating or launching. Promotion is very important as this is what attracts and informs potential consumers about a product in order to gain more sales. The DPA has opened offices in India to promote diamonds. The DPA is spending $7m for a campaign that will promote a new message about Diamonds. India accounts for only 7% of global diamond consumption. By campaigning, this is a good method of promotion as it will reach a lot of the population and persuade them to buy more diamonds. By promoting, this will attract more customers and therefore sales will increase. It is very important to promote the product before entering a global market because not many will know about the business or product if they aren't familiar or have never seen it before. Promotion is also important, especially if they made the diamonds sound very valuable and important and because India is an emerging market and middle class is expanding, more people will be able to afford it so in important that they are shown what is available on the market. However, ~~tr~~ if the price is too expensive then only a small % of the population will be able to afford the diamonds and therefore sales won't increase. The place chosen is

India, which is not a very wealthy, developed country and perhaps need to plan what particular people they will aim the product at etc, or if it a particular region. And as for product: they have already chosen diamond. * If promotion isn't successful then the DPD have wasted $7m, also, if the promotion is not clear or worded cleary for the Indian culture to understand e.g mistranslation then the business will get a bad reputation and therefore sales will decrease. Also, if promotion isn't shared globally / regionally for the whole population to see then the business ~~es~~ isn't reaching its full potential ~~bi~~ customer base.

* the product also needs to have a full accurate ~~desp~~ description in order to allow the customer to make a fully aware decision to see if they wan't to buy it or not. If this ~~is the~~ isn't the case and consumers have been misinformed. It could lead to conflict and the DPD will lose money / sales.

ResultsPlus
Examiner Comments

A better response with application and good analysis, but evaluation is limited to a brief mention of price and so only reaches low Level 4.

ResultsPlus
Examiner Tip

On questions 6 and 7, there are 8 marks for evaluation. Make sure it is detailed, with several strands of argument backed up by example.

Question 7

Most candidates could identify potential trade barriers quite well, but many failed to develop the significance of this to a global business, either because they couldn't, or because they concentrated on the impact on economies and so failed to address the question. Some went on to confuse this question with question 5 and the ease of doing business with some repetition of previous responses.

A significant number answered this question well and were able to give a range of applied examples in both analysis and evaluation. Unlike the previous question, it was good to see many use their own knowledge, particularly of the recent trade war between the US and China. Candidates that did this usually scored well on this question.

This response reached Level 4 and scored 18 marks.

7 Evaluate the significance of trade barriers to a global business when trading internationally.

(20)

Trade barriers are methods or measures implied by the government to restrict free trade and include tariff and non-tariff barriers.

There are 36 new trade barriers reported in 2016 against EU businesses which is likely to affect those firms as most firms in EU trade overseas (internationally).

These barriers by other economies on EU firms is likely to increase the cost of trading through tariffs (tax on imports) which will result to EU businesses restricting the flow of goods and services to economies such as Russia and China which is going affect trade flows up to € 12.26 bn and € 2.29 bn respectively. Thus, implying that EU businesses lose out on alot of revenue.

Moreover, due to these rise in trade barriers, the total cost of production for EU businesses is likely to rise and will be passed on to international consumers in form of high prices leading to a fall in demand and hence sales. If revenues are not able to cover costs, these firms are likely to face losses.

In addition, these firms when trading internationally may lose control or maybe forced to adopt some strategies that they do not prefer because of the joint venture requirements by China. These firms may have to adopt to Chinese strategies in order to grow in China thus losing control.

Furthermore, China has market entry requirements and unjustifiable technical regulations for EU businesses to abide by while operating in China which would require expertise to advice on the regulations to enter China as well as maintaining technical standards which could lead to a rise in costs and hence diseconomies of scale (as output rises, costs rise).

However, joint venture requirements by China may not necessarily be a disadvantage to EU businesses. This is because a joint venture would allow EU firms to recognise the market through already existing Chinese firms that have proper market knowledge. This would lead to a rise in demand for products produced by EU businesses as they are supported by Chinese firms, hence high revenue and profits.

Moreover, there are only 36 new trade barriers which only affects €27 bn of trade. This is not a very significant amount to EU businesses because the EU is a very large region with FDIs in various trade barrier imposing economies such as India and especially China which are not affected by trade barriers thus countering out the negative effect of loss in trade as FDIs in these economies still continue to trade.

In addition, a fall in demand for goods produced by EU businesses is likely to depend on the price elasticity of demand for goods. If demand is price inelastic, a rise in price would not affect demand and hence would not lead to a fall in sales for firms trading internationally.

In conclusion, trade barriers are important to global businesses trading internationally as it mainly determines the demand for the goods and services but if the firm is a global reputated brand, trade barriers are likely to be insignificant due to price inelastic demand.

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Examiner Comments

An excellent answer, clear and convincing with good evaluation and well backed up by examples. The only thing it lacks is a valid and useful conclusion.

ResultsPlus
Examiner Tip

A conclusion should not just repeat previous arguments in a shortened manner. It needs to close the argument and add something to the answer and satisfy the demands of the original question.

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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