Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number

Candidate Number

Tuesday 29 October 2019

Afternoon (Time: 2 hours) | Paper Reference **WBS04/01**

Business Studies

International Advanced Level
Unit 4: Business in a Global Context

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 in Section A and Section B.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of expression.
- 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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Pearson

SECTION A

Answer ALL the questions in this section.

You should spend 60 minutes on this section.

Evidence A

IKEA opens first store in India

IKEA, originally started in Sweden, has been the world's largest furniture retailer since 2008. It now has over 415 stores in 49 countries. In 2018 it opened its first store in India, one of the largest potential markets in the world. The new store is very big, with over 400,000 square feet (37,000 square metres) of floor space.

From the outside, the store looks the same as any other *IKEA* store, with its distinctive blue walls and yellow lettering. Inside the store there are many similarities to other *IKEA* stores. These include the maze-like layout, attractively priced flat-pack furniture, home accessories and a restaurant.

There are also many adaptations that are influenced by local tastes. These have been introduced as a result of *IKEA*'s extensive primary market research to find out what Indian consumers want. The range of furniture and household equipment not only includes products familiar to European and American shoppers but a range of what *IKEA* calls 'locally relevant products'. The restaurant still sells *IKEA*'s classic meatballs, but this time they are vegetarian, or made from chicken rather than beef. Worksurfaces and countertops are lower because Indian women tend not be as tall as those in western economies. There are over a thousand products priced at 200Rs ($2.86) or less, aimed at those on lower income levels.

Evidence B

Government policy and *IKEA*

In 1991 the Indian government began to open up its markets to western businesses by relaxing legal controls. In 1996 *McDonald's* opened its first restaurant in New Delhi. Famously, *McDonald's* adapted its traditional western menu to cater for Indian tastes and removed beef from the menu. Since then it has expanded, and other fast food brands and western businesses have also entered the Indian market.

IKEA first applied to enter the Indian market in 2006. It gave up in 2009 after the government insisted that *IKEA* form a joint venture and source 30% of its products from small Indian suppliers. In 2012 the government relaxed these requirements and *IKEA* reapplied. After investing over $1.5bn *IKEA* finally opened its first megastore in Hyderabad in August 2018. It intends to open three more stores soon and then a further 25 throughout India by 2025.

However, success is not guaranteed for *IKEA*. Since 2017 the government has stopped its programme of cutting duties on imports and has increased tariffs on a wide range of goods. This has implications for *IKEA*, which imports most of its products from its factories in China and other Asian economies.

Evidence C

Solar powered rickshaws

IKEA has introduced hundreds of electric three-wheeled rickshaws into the delivery fleet of its new Indian store in Hyderabad. This is part of its policy to be more environmentally friendly. They have the advantage of being able to move easily through the crowded and narrow streets but are much less polluting than the traditional rickshaws, which use fossil fuel. *IKEA*'s manager in India, Peter Betzel, said ". . . the people, the community and our contribution to the planet is the biggest priority".

The new rickshaws are battery powered and will be charged by 4,000 solar panels installed on the roof of the *IKEA* store. The roofs and seats of the new rickshaws display colourful local patterns, but the outsides are branded with the distinctive blue and yellow colours of *IKEA*.

1 (a) What is meant by the term primary market research? (Evidence A, line 11)

(2)

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(b) What is meant by the term joint venture? (Evidence B, line 8)

(2)

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(Total for Question 1 = 4 marks)

2 Explain **two** possible reasons why the Indian government has increased tariffs.

(Total for Question 2 = 6 marks)

3 Analyse **one** push factor and **one** pull factor that may have led to *IKEA*'s expansion into the Indian market.

(Total for Question 3 = 8 marks)

4 Assess the impact on *IKEA* of it becoming more environmentally friendly.

(10)

(Total for Question 4 = 10 marks)

5 Assess the benefits for a business, such as *IKEA*, of adapting to local tastes when entering a new market.

(12)

Turn over

(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence D

***Flytxt* seeks organic growth**

Marketing intelligence and automation specialist *Flytxt* expects to expand its global business by 10 times over the next five years. It specialises in using its software to analyse data and provide solutions. The company is investing $50m through a mix of debt and private equity financing, said its chief executive, Vinod Vasudevan.

Flytxt has a client base of more than 100 businesses and nearly a third of them are in the Middle East and Africa; regions that are increasingly investing in artificial intelligence. The company's clients include more than 65 communications service providers such as *Vodafone*, India's *Airtel* and Kuwait's *Zain*.

Vinod Vasudevan said, "We are targeting 10 times organic growth of our sales volume while inorganic growth may come later. *Flytxt* is now planning to venture into travel and tourism, banking and digital sales. Until early 2017, we focused only on telecoms and now it has been a year and a half since we have started venturing into other areas".

(Source adapted from: https://www.thenational.ae/business/technology/exclusive-ai-firm-flytxt-eyes-10-times-organic-growth-in-five-years-1.761450)

Evidence E

Luxury pen market

The luxury pen market is a global niche market that is growing despite the increasing use of emails and texts for communication. This is mainly due to an expanding population with increasing disposable incomes, especially among young adults.

Asia Pacific is the fastest growing region in the global luxury pen market. Countries such as India and China are where the demand for such luxury items is at its highest, due to increasing brand awareness amongst consumers.

The leading luxury pen makers such as *Montblanc International GmbH* and *Parker Pen Company* are competing to make their pens more attractive by using diamonds, gold-plating and platinum. Such pens are seen as a status symbol and very desirable among high income earners.

However, there are problems. There is a lack of retailers, import duties are high and maintaining adequate inventory levels requires large amounts of working capital. The high availability of counterfeit luxury pens produced by local businesses and other manufacturers of counterfeit products is also hindering the growth of the market. Nevertheless, the global luxury pen market is forecast to grow at a rate of 3.9% during the period 2017–2021.

(Source adapted from: https://www.persistencemarketresearch.com/market-research/luxury-pens-market.asp)

6 Evaluate *Flytxt*'s decision to expand by organic rather than inorganic growth.

(20)

(Total for Question 6 = 20 marks)

7 Evaluate the benefits for a business, such as *Montblanc*, of operating in a global niche market.

(20)

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(Total for Question 7 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

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