



Mark Scheme (Results)

Summer 2019

Pearson Edexcel GCE A Level
in Business (9EB0)

Paper 02 Competing in the global economy

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A

Question Number	Answer	Mark
1(a)	Knowledge/understanding 1, Application 3 Knowledge/understanding: 1 mark for selecting the correct data Sales/total sales x 100 (1) Application: up to 2 marks for calculating the percentage total market share of <i>L'Oreal</i> from the data \$45.39bn (1) / \$445bn (1) x 100 = 10.2% (1) NB if no working is shown award marks as below: • If the answer given is 10.2% award 4 marks. • If the answer given in 10.20% award 4 marks. • If the answer given is 10.2 award 3 marks. • If the answer given is 10.20 award 3 marks.	(4)

Question Number	Answer	Mark
1(b)	Knowledge/understanding 1, Application 2, Analysis 1 Knowledge/understanding: 1 mark for identifying a possible reason e.g. the North American mass market may already be saturated/have high incomes (1) Application: up to 2 marks are available for context: e.g. growth of niche exceeds mass market by \$3bn (1) e.g. North America is a high income market/developed economy (1) Analysis: 1 mark available for developing explanation e.g. high incomes mean that consumers can afford more expensive niche market cosmetics (1)	(4)

Question Number	Answer	Mark
1(c)	Knowledge/understanding 1, Application 2, Analysis 1 Knowledge/understanding: 1 mark for stating a difference e.g. Absolute poverty means basic needs cannot be met whereas relative poverty means only some needs can be met/60% of median income (1). Application: up to 2 marks are available for a contextualised answer from Extract A, e.g. 1.3 million, three-day emergency food supplies were delivered to people in crisis across the UK (1) state benefits fail to cover basic needs such as food (1). Analysis: 1 mark for developing the difference, e.g. without food banks families would experience absolute, not relative poverty, even if receiving state benefits (1).	(4)

Question Number		
1(d)	Knowledge/understanding 2, Application 2, Analysis 2 Knowledge: up to 2 marks for an understanding of underemployment: Means workers who are highly skilled but working in low skilled jobs (1) Part-time workers who would prefer to be full-time (1) Application: up to 2 marks for: Men are more likely than similarly qualified women to work in highly paid occupations, like managers, directors and senior officials (1) More women work in part-time jobs than men/more women have childcare commitments than men (1) Analysis: up to 2 marks for: Because these positions are usually held by men equally qualified women do not have the opportunity to hold such positions so they are underemployed and earn less pay (1) Many women who are in part-time jobs would prefer to be employed full-time therefore they are underemployed and receive less pay (1).	(6)

Question Number	Indicative content	Mark
1(e)	Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2 • Sales are likely to increase for all <i>L'Oréal</i> products • This means that <i>L'Oréal</i> will need to increase production and increase investment • <i>L'Oréal</i> may consider moving production to a country within Asia-Pacific region to reduce distribution costs • This is an opportunity for <i>L'Oréal</i> to increase its global market share • However, the marketing mix may need to be adapted to suit local tastes and cultural needs • The effect on <i>L'Oréal</i> would depend on its competitiveness and the reaction of its competitors in the Asia-Pacific region • Other regions such as Latin America are also expected to grow significantly by \$10.6bn and may also require investment • The figures indicate growth in sales but do not identify the overall size of the market.	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are developed. Judgements may be attempted.
Level 3	6–8	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
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Question Number	Indicative content	Mark
1(f)	Knowledge/understanding 2, Application 2, Analysis 3, Evaluation 3 • The characteristics of an emerging market include rising incomes, although these may be lower than in developed markets • Price may need to be lower in order to gain market share and <i>L'Oréal</i> may need to adopt penetration pricing • Price elasticity of demand may be elastic to start with, as there are cheaper local substitutes meaning prices need to be kept low but may become more inelastic over time enabling higher prices to be charged • The amount of competition from domestic cosmetic firms as well as other multinationals such as <i>Estée Lauder</i> may limit the scope for higher prices and result in a competitive pricing strategy • However, developing a strong brand identity will decrease price inelasticity of demand and enable them to charge higher prices for their cosmetic products • The level of costs and the need to make a profit may mean penetration pricing is only a short term strategy but for a large cosmetic firm such as <i>L'Oréal</i> this may not be a problem • Pricing strategy will need to change as the emerging market develops and more competitors enter the market • Changes in the marketing mix may drive the pricing strategies to be used.	(10)

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	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–4	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	5–7	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	8–10	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

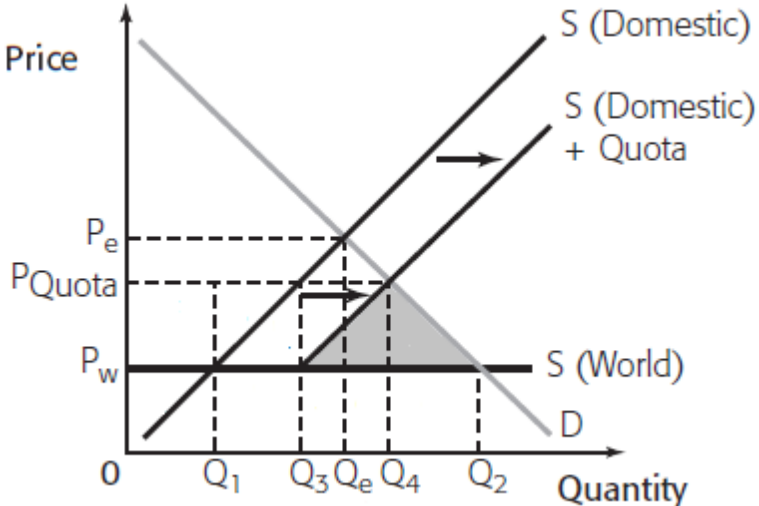
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Question Number	Indicative content	Mark
1(g)	Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4  - Quota is a physical limit on the quantity (or value) of goods that can be imported into a country. - Quota increases the domestic price of imported cosmetics and makes Indian cosmetic firms more price competitive - The quota shifts the domestic supply curve outwards by a horizontal distance equal to the quota ($Q_1 - Q_3$) - This means the new domestic price is higher (P_{Quota}) than the world price without the quota - This will reduce the quantity demanded for imported cosmetics in India - Indian firms may be more competitive and see increased sales and revenue - Indian consumers may face increased expenditure/higher prices - However, the impact on Indian producers and consumers depends on the PED for both domestic and foreign cosmetics – determined by the quality of Indian cosmetics, customer loyalty and available substitutes - The loss of efficiency will be shared between Indian consumers and foreign firms - The Indian Government may also receive income from the sale of quota licences which may be reinvested in the Indian cosmetic industry.	(12)

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	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

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Question Number	Indicative content	Mark
1(h)	Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4 • The sale of <i>The Body Shop</i> to <i>Natura</i> is an example of inorganic growth and horizontal integration • This takeover of an established brand by <i>Natura</i> will give the firm access to new markets • <i>Natura</i> is buying an already established brand, so does not have to invest in the development of new products or branding • <i>Natura</i> is acquiring an 'ethical' brand to supplement its existing brand with 133 outlets already in Brazil • <i>Natura</i> may be acquiring a new supply chain which could be used across the firm • Diversification of the product range for <i>Natura</i> may spread risk • Synergy between <i>Natura</i> and <i>The Body Shop</i> may result in the sharing of technology • <i>Natura</i> may benefit from economies of scale, as the output of the firm may increase • However, there is a risk of unsuccessful takeover and loss of brand identity for <i>The Body Shop</i> • Potential for diseconomies of scale, rising average total costs as a result of <i>Natura</i> becoming too big to manage efficiently • There must be some reason why <i>L'Oréal</i> have sold <i>The Body Shop</i> e.g. falling revenues and <i>Natura</i> may need to invest in the product line or brand image to maintain or increase revenues • The cost of the deal €1bn (£877m) and this is very high – the impact upon <i>Natura</i> will depend upon how this has been financed	(12)

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	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

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Section B

Question Number	Indicative content	Mark
2	Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6 • Multinational firm is one which produces and/or sells in more than one country • <i>Starbucks</i> is an example of a multinational, producing and selling in many countries • One of the costs of rising consumption and the pursuit of economic growth has been environmental damage • There may be conflicts between the macroeconomic objectives of sustained growth, low unemployment, rising living standards and the protection of the environment • The fact the multinational produce and sell in more than one country make it very difficult for individual, national governments to control their behaviour • Multilateral government action is often more effective in reducing the environmental impact e.g. Kyoto Protocol (international treaty which extends the 1992 United Nations Framework Convention on Climate Change) • Government action such as a tax on consumption e.g. 'latte tax' is one way in which the environmental impact might be reduced e.g. the success of the plastic bag tax in the UK • Government can also influence education, so that it is more likely consumers make an informed choice about what and how much to buy when taking into account environmental factors • However, the role of NGOs e.g. Friend of the Earth, Greenpeace, is also important in informing the consumers about the impact of their purchasing decisions • The replacement of the pursuit of economic growth as a macroeconomic objective with the pursuit of sustainable growth is a possible solution • The success of government depends upon extent to which policies are effective in reducing consumption • The success also depends upon the willingness of other governments to co-operate internationally e.g. Canada withdrew from the Kyoto protocol in 2012 • Success also depends upon the resistance from multinationals, who may simply have the objective of profit, share price and dividend maximisation	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted, but fail to connect causes and consequences. Limited attempt to address the question.
Level 2	5–9	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic.
Level 3	10–15	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well-developed and partially evaluated. An awareness of the significance of competing arguments is present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments.
Level 4	16–20	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

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Section C

Question Number	Indicative content	Mark
3	Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6 • Quality involves meeting customer expectations, reliability and value for money • It also involves firms ensuring that they minimise waste through faulty production • Quality leads to productive efficiency and minimisation of cost • This minimises the waste of capital and labour that can exist in many areas across the business e.g. unused components, wasted components or wasted labour time • Good quality management should lead to less waste and/or damaged stock • <i>Toyota's</i> use of Kaizen has increased efficiency and they now produce one Prius every minute • By contrast <i>Tesla</i> has not matched <i>Toyota's</i> quality and is struggling to meet customer expectations, which is likely to lead to disappointing sales • <i>Toyota</i> appears to have better relations with its employees than <i>Tesla</i> which may be a result of more effective use of total quality management • Unfortunately <i>Tesla</i> has consumer blogs that comment on the poor quality of their cars leading to loss of reputation • However, quality is only one factor of a car firm's success • Innovation and design may be a more significant factor than quality in determining sales • Marketing and branding may be a significant factor in the eyes of the consumer despite recorded faults for <i>Tesla's</i> cars • <i>Tesla's</i> quality may improve as its experience increases • Maintaining quality can increase costs thus reducing profitability • Overall, quality is important but there are other factors to be considered to be successful in the car manufacturing industry.	(20)

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