

Please check the examination details below before entering your candidate information

Candidate surname					Other names				
Centre Number					Candidate Number				

Pearson Edexcel Level 3 GCE

Time 2 hours

Paper reference **9BS0/01**

Business

Advanced

PAPER 1: Marketing, people and global businesses

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.
- 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.*
- You may use a calculator.

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.

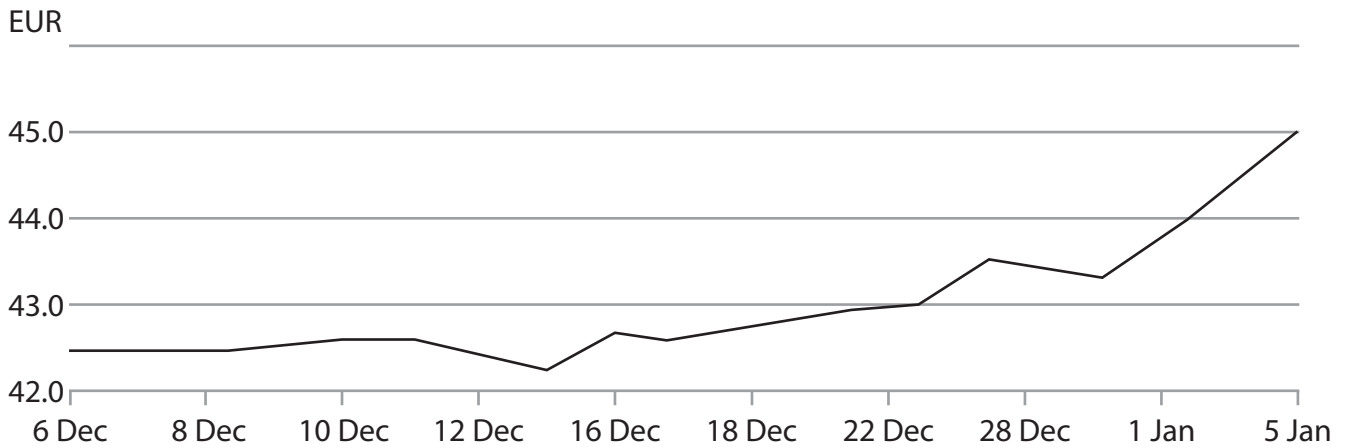
SECTION A

Read the following extracts (A to C) before answering Question 1.

Write your answers in the spaces provided.

Extract A

The price of one gram of gold on world markets in euros (6 December 2019 to 5 January 2020)



Gold is one of the raw materials used in the manufacture of luxury watches.

(Source: adapted from <https://www.gold.org/goldhub/data/gold-prices>)

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Extract B**The luxury watch market**

Some of the fastest growing businesses in the luxury watch market are public limited companies (PLCs). An example is Swatch, the Swiss company that owns brands such as Omega and Tiffany. Swatch embraces the current trend of 'affordable luxury for all', where luxury products are aimed at mass markets. Its aim is to grow through expensive new product development, more stock, stores and sales.

5

Private limited watch companies, such as Rolex can limit production and not have to answer to shareholders who demand growth. Rolex can control its growth and restrict its product range. This helps to build exclusivity and enables Rolex to charge over £10 000 for some models of watches.

10

Luxury watches are expensive, so customers invest time and effort in researching the best price. Some retail stores attempt to justify high prices by giving customers a glass of champagne and additional attention by sales staff. While this approach still appeals to some customers, research suggests they feel that the item itself represents the luxury experience, not the process of buying it.

15

The sale of luxury watches online is growing and made up of three areas. First are online sales directly from the companies who own the brands, such as Rolex. Second, the highest sales are made by retailers who can offer lower prices. These retailers usually purchase from luxury watch brand manufacturers at up to 50% below the recommended selling price, leaving room for discounting. Third, online sellers and buyers of pre-owned luxury watches.

20

(Source: adapted from <https://www.forbes.com/sites/arieladams/2017/06/23/despite-consumer-demand-the-luxury-watch-industry-will-have-to-shrink-before-it-recovers/#3c79db0f2c75>)

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Extract C**Hans Wilsdorf, the entrepreneur behind Rolex**

When Hans Wilsdorf was born in 1881, wristwatches were mostly regarded as women's jewellery; no one believed it possible to make watches men would want. Aged 24, and despite the lack of support from his peers, he decided to take a risk and began his plan to deliver a modern watch, aimed at the male market.

5

Wilsdorf described how, "while riding on the upper deck of a horse-drawn bus in the City of London, a genie whispered 'Rolex' in my ear". Rolex is a short word, easy to pronounce in every language, and easy to remember. Rolex had style and authority and looked clear on a watch face. Within days, Wilsdorf had registered the trademark.

Rolex's reputation grew, and in 1919 it set up operations in Geneva, Switzerland. Wilsdorf inspired and persuaded the best craftsmen and engineers in Swiss watchmaking to work alongside him. He was a brilliant leader who believed that "Rolex must continuously strive to think and act differently from the rest. Therein lies its greatest strength," he declared.

10

Wilsdorf insisted that each new watch should be a product of quality. For him, marketing was not just a way to gain sales, but a means of communicating his brand's reputation.

15

Today, Rolex is a private limited company, owned by the Hans Wilsdorf Foundation, created before Wilsdorf died in 1960.

(Source: adapted from <https://pressroom.rolex.com/en/corporate/history-and-corporate/history-of-rolex.html> and <https://www.rolex.org/perpetual/the-man-behind-the-crown>)

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- 1 (a) Using the data in Extract A, draw a supply and demand diagram to show the possible impact of the change in the price of gold, between 6 December 2019 and 5 January 2020, on the luxury watch market.

(4)



(b) Explain **one** way in which product orientation is important to Rolex.

(4)

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- (c) Assess the importance of creativity as a characteristic of the entrepreneur Hans Wilsdorf.

(10)

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(d) Assess the likely importance of distribution (place) in Rolex's marketing mix.

(12)

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In order to remain competitive in the luxury watch market, Rolex could become a public limited company or remain a private limited company.

- (e) Evaluate these **two** options and recommend which one is more likely to support Rolex remaining competitive in the luxury watch market.

(20)

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(Total for Question 1 = 50 marks)**TOTAL FOR SECTION A = 50 MARKS**

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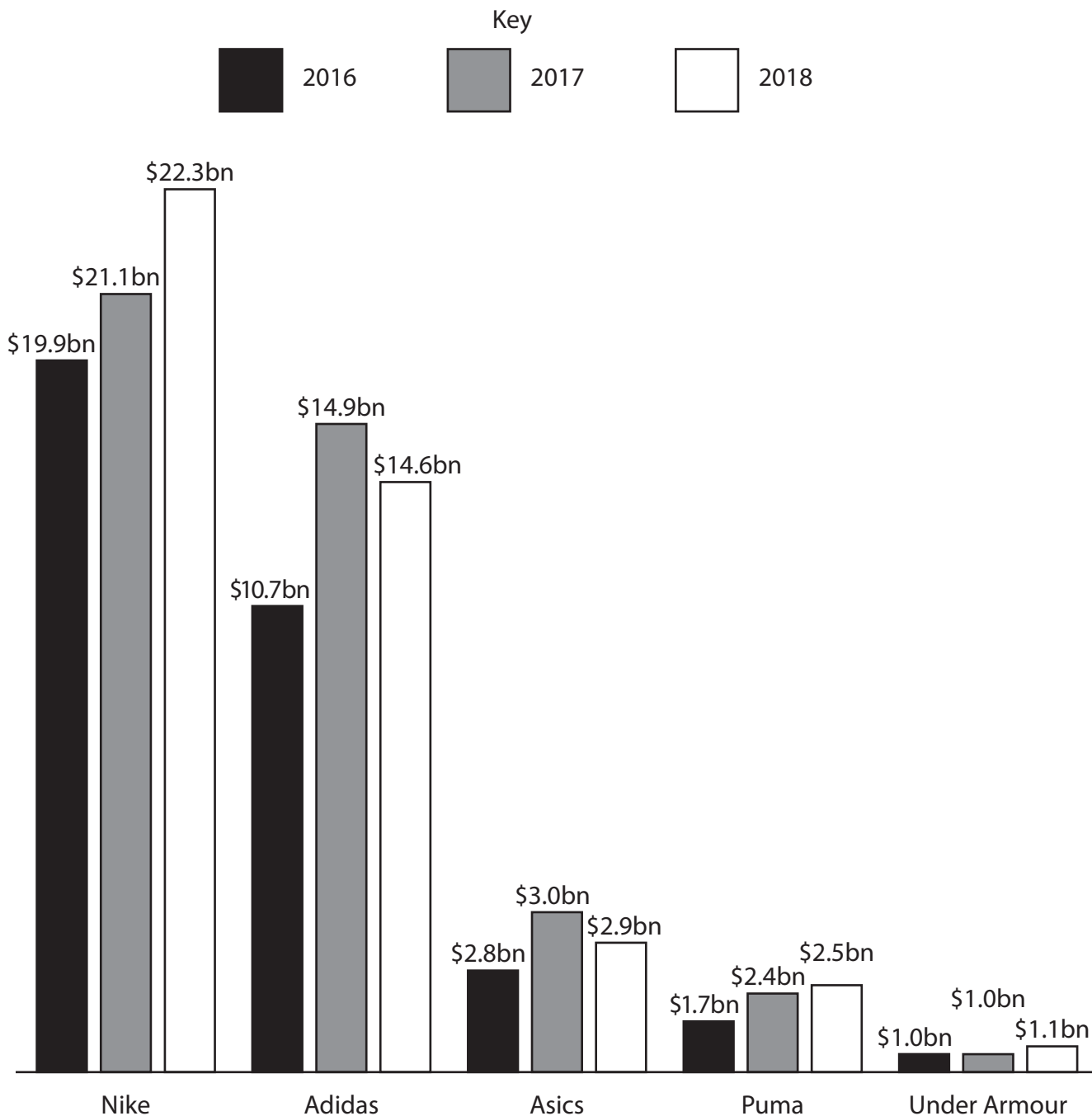
SECTION B

Read the following extracts (D to G) before answering Question 2.

Write your answers in the spaces provided.

Extract D

Worldwide sports footwear sales (\$bn) of selected leading brands



Sales value of all other sports footwear brands not included in the chart = \$16.7bn in 2018

(Source: adapted from https://infographic.statista.com/normal/chartoftheday_13470_athletic_footwear_sales_n.jpg)



Extract E**Populations of The Association of Southeast Asian Nations (ASEAN) member states**

Inhabitants in millions

800

600

400

200

0

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

Key



Cambodia



Indonesia



Laos



Malaysia



Myanmar



Philippines



Singapore



Thailand



Vietnam

(Source: adapted from <https://www.statista.com/statistics/796222/total-population-of-the-asean-countries/>)

Extract F**ASEAN opportunity**

The Association of Southeast Asian Nations (ASEAN) was founded in 1967 by five countries: Thailand, Indonesia, Philippines, Malaysia, and Singapore. Its aim is to promote free trade between members, by reducing trade barriers between them. In 2010 ASEAN joined China in the ASEAN-China free trade area, reducing tariffs on 70% of goods.

5

With over 260 million people, Indonesia possesses both a large workforce and a young population. It has a stable and growing economy. Furthermore, increasing urbanisation eases the cost of doing business for foreign companies. These businesses, such as Nike, manufacture their goods in Indonesia and sell their products to the country's growing middle class.

10

The Indonesian Government has also realised the importance of developing the country's manufacturing sector to increase economic growth and create employment opportunities. The government has released several policy packages since September 2015 aimed at easing the cost of doing business in Indonesia. This should increase foreign direct investment (FDI).

15

Nike, Toyota, Nestle, LG, and Samsung are some of the major multinational corporations that have set up factories in Indonesia. These corporations benefit from low labour costs and relatively skilled workers.

Growing urbanisation makes businesses closer to their customers. However, there are also land shortages, which can make it difficult and expensive for firms to build new manufacturing facilities in Indonesia.

20

(Source: adapted from <http://www.indonesiabriefing.com/news/selecting-optimal-locations-for-manufacturing-in-indonesia> and <https://www.statista.com/statistics/796222/total-population-of-the-asean-countries/>)

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Extract G**Nike announces new partnership with Flex**

Nike's manufacturing involves mass production in a range of low-wage economies, such as Indonesia, Thailand, and Vietnam. These production locations also tend to be close to materials needed, such as textiles and rubber.

In 2016 Nike announced a new partnership in North America with Flex, a design and manufacturing company. This enabled Nike to move towards differentiating its products. Before this new agreement Nike had its NikeiD website, which customers could use to design aspects of their own shoes. However, these orders took up to four weeks to reach the customer. 5

Nike aims to reduce the time from design to delivery for customer orders from weeks to days. To do this it is working with Flex to develop efficient methods for making orders of one, rather than 1,000 shoes. Flex is experimenting with new laser cutting technology, that allows one-off production. The machine can go from cutting size 13 shoes to size 7 shoes without interrupting production. "We think that unlocks a lot of growth, by differentiating our products from competitors, and getting customised orders to our customers more quickly." said Nike's Head of Marketing. 10 15

(Source: adapted from <https://scm.ncsu.edu/scm-articles/article/nike-partnership-with-flex-producing-innovation-coupled-with-digitization>)

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- 2 (a) Using the data in Extract D, calculate Nike's market share of worldwide sports footwear in 2018. State your answer to 2 decimal places. You are advised to show your working.

(4)

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(b) Explain **one** way foreign direct investment (FDI) affects businesses in Indonesia.

(4)

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(c) Assess **one** effect on Nike of Indonesia being a member of the ASEAN trading bloc.

(10)

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(d) Assess the possible impact of multinationals, such as Nike, on the economy of Indonesia.

(12)



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Nike is aiming to achieve competitive advantage in the global sports footwear market. In order to do this Nike could focus on cost competitiveness or differentiation.

- (e) Evaluate these **two** options and recommend which one is most suitable for Nike to maintain its global competitiveness.

(20)



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(Total for Question 2 = 50 marks)

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



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