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Examiners' Report

Principal Examiner Feedback

October 2020

Pearson Edexcel International Advanced  
Level in Business (WBS14/01)

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This first sitting of the new specification WBS14 paper seemed to go well despite the difficulties of this year. The 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. There were some new and unfamiliar topic areas such as Ansoff's matrix which were not part of the old specification, but they did not seem to cause undue difficulty to the better prepared candidates. At the same time, there were also some very weak responses that showed little understanding of, or even familiarity with, not just the new topics, but the specification content as a whole.

The main reasons for some 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.

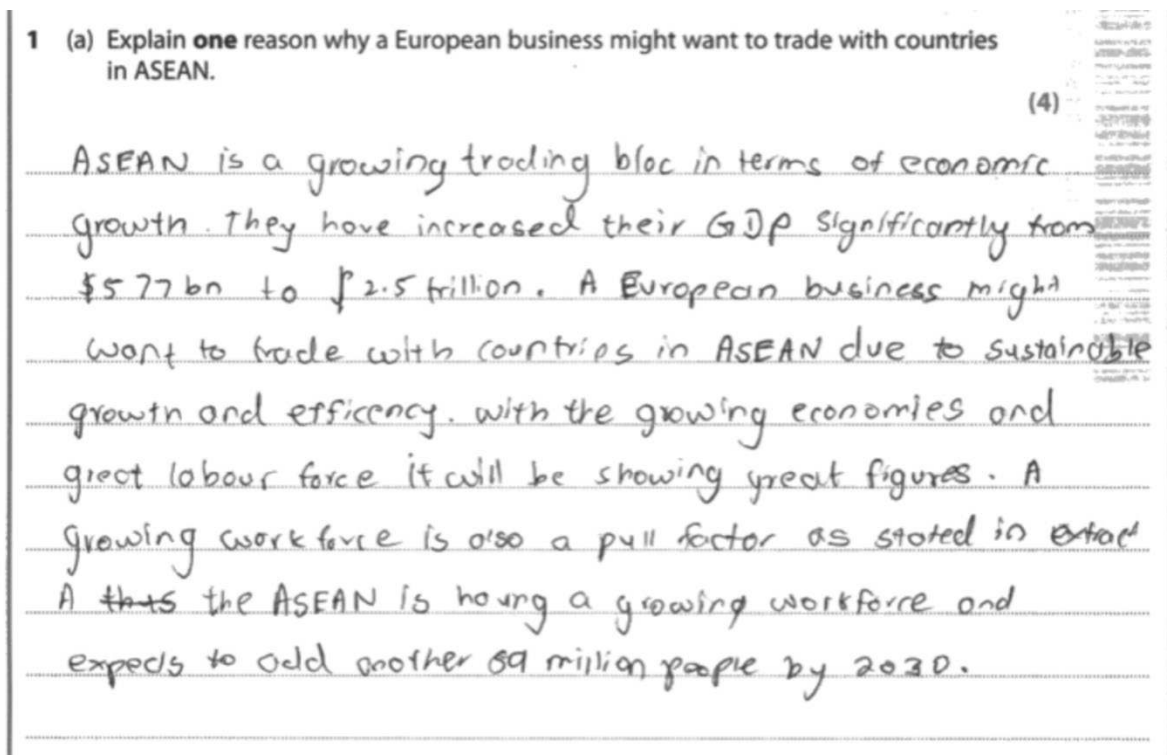
It is worth reminding future students of the need to apply proper context to all responses. Repeating generic or stock answers or just copying the text out will not access the higher levels of the mark scheme.

## SECTION A

### Question 1a

Most candidates knew why a European business may have wanted to trade with a country in the ASEAN trade bloc. It is worth remembering that the 4-mark questions have two application marks and so explanation needs to be well supported. Some students failed to read the question carefully enough and wrote about why a European business might want to manufacture within an ASEAN country rather than trade with it, no marks were available for this.

The response below identifies a reason as 'due to sustainable growth' which gained a knowledge mark. This was supported by the use of GDP growth figures for an application mark. The rest of the answer is irrelevant to the question and the reason is not developed. Total of 2 marks



1 (a) Explain **one** reason why a European business might want to trade with countries in ASEAN. (4)

ASEAN is a growing trading bloc in terms of economic growth. They have increased their GDP significantly from \$577bn to \$2.5 trillion. A European business might want to trade with countries in ASEAN due to sustainable growth and efficiency. With the growing economies and great labour force it will be showing great figures. A growing work force is also a pull factor as stated in extract A that the ASEAN is having a growing workforce and expects to add another 69 million people by 2030.

### Question 1b

The new specification includes the need to demonstrate Quantitative Skills (QS) and this type of question is one way of doing this. Most candidates answered this well, but others failed to achieve all the marks because they did not calculate to two decimal places or missed the % sign.

### Question 1c

Unfortunately, a significant number failed to gain many (if any) marks on this question. Instead of focussing on the impact on the growth of businesses, they discussed the impact of FDI on the economy, or the labour force, or the environment which was not the question set. This illustrates the need for students to read the question wording carefully and think about their response before putting pen to paper.

There were some good answers here that gave a good explanation of the impact of FDI on the growth of businesses in ASEAN. The response below is one such example, with balance being achieved by looking at the importance of other factors leading to business growth. It reached L3 and 7 marks.

(c) Discuss the importance of foreign direct investment (FDI) to the growth of businesses in ASEAN.

(8)

FDI is the investment made by individual or firm in one country into another country. FDI in to ASEAN has been increased significantly between 2005 to 2010 from ~~was~~ \$43bn to \$111bn. FDI can benefit businesses in ASEAN ~~both~~ directly through the injection of funds which businesses can be used for the expansion allow ~~ed~~ them to grow further and be more competitive through the gain of Economies of scales. ~~This~~ ~~also~~ Once businesses in ASEAN grow, it will need more labour especially in the manufacturing industries and when more people are employed, they now ~~have~~ can afford more to buy goods or services from businesses ~~and~~ creating multiplier effects. However, there are also other factors which contribute to the growth of businesses in ASEAN for example, infrastructure which is the external economies of scale ~~the~~ help reduce cost of production thus ~~help~~ encourage <sup>more</sup> entrepreneurs to set up ~~the~~ businesses. <sup>be</sup> There may also ~~be~~ some government subsidies ~~and~~ reduction in bureaucracy which again make it easier and cheaper for business to set up. In conclusion, though there are many factors which contribute to the growth of businesses in ASEAN, FDI is ~~still~~ <sup>still</sup> very important as it means more firms can be get from outside without more expenses by the ASEAN government, ~~or~~

### Question 1d

Some candidates made a similar error here and failed to discuss the impact on Vietnamese businesses as opposed to foreign businesses. Those that did respond in the correct way were usually able to look at advantages such as wider access to other markets or lower input costs. Balance usually took the form of increased competition as trade barriers and protectionism were dropped.

The response below is a borderline L3/L4 example. It makes some good points on the positive aspects of membership but the balance is rather brief and not fully convincing. If this had been more developed it would have reached L4, in the end it stayed at the top of L3 with 8 marks.

(d) Assess the likely impact of membership of the ASEAN trade bloc on Vietnamese businesses.

(12)

Vietnam joined the ASEAN in 1995 and has adapted well to the bloc's structure and processes. This has made them an open economy as stated in extract B. Vietnam has also signed 17 free trade agreements and is aiming to be a middle-income country in the next two decades.

With Vietnam joining the trading bloc and already signed 17 free trade agreements they are pretty open to FDI and trading with no tariffs or low. For businesses in Vietnam there will be a few advantages namely increase in market base, more resources, more labour, more competition etc. With Vietnam being open to the ASEAN their businesses will have access to ~~a~~ many countries customer base and they can trade without many barriers thus allowing the businesses to have a wider more diverse market to cater to. Another impact is the availability of resources and labour, which will also be easy to access due to low barriers due to this businesses will be able to significantly grow allowing the country to achieve its goal of becoming a middle income country. As seen in extract C Vietnam has stable good growth rates. 7.2% Annual average is a great progress. Another impact could be due to increased competition from other countries firms and consumers having more choice they will find more efficient ways to produce increasing efficiency.

However there might be some downsides to this, businesses faced with heavy international competition might not be able to compete and infant industries may not bloom. Decision making of the country is also diluted in a trading bloc. The businesses will be having access to lots of labour and resources & Vietnam not being very developed the unskilled workforce may not have vacancies due to lack of skill causing unemployment.

In conclusion it can be said that the joining of Vietnam has been beneficial mainly as seen from the GDP figures and since the country is developing joining a bloc such as ASEAN will allow it to grow significantly and businesses will have more opportunity.

#### Question 1e

The question about the importance of the skills and availability of the workforce was generally well answered. The majority could present a good analysis of what it meant and why it helped in setting up a production location. Nevertheless, there were a significant number of low-scoring answers where brief answers, lack of development and chains of reasoning were the usual problems.

The following response is a good answer, well developed and coherent chains of reasoning, good balance and well supported by evidence/example. It reached L4 and 10 marks.

(e) Assess the importance of skills and availability of the labour force for a business when choosing a production location.

(12)

Many factors affect businesses when choosing where to locate ~~businesses~~ production such as skills and availability of labour, cost of production, infrastructure, natural resources, political stability.

Dyson put their manufacturing plant in Malaysia in order to take advantage of low labour costs.

Honda, Audi, Nissan put their ~~producing~~ manufacturing plants in Mexico in order to take advantage of Mexicans ~~that~~ who are rich in technical skills related to car manufacturing.

Availability of labour force would mean that supply of labour in that a particular location is high leading to lower wage costs for business. Lower wages would mean low average cost, so ~~ability to~~ ~~increase~~ ~~prices~~ and enjoy ~~hi~~ increasing ~~cost~~ competitiveness and price competitiveness; hence ability to charge low price and enjoy higher sales due to the competitive advantage of undercutting rivals prices or ability to enjoy higher profit margin leading higher funds available for business growth.

Availability of a skilled labour force would mean ~~abate~~ businesses can avoid paying ~~training~~ training expenses leading to lower business costs. Moreover, ~~or~~ skilled labour are likely to be productive so ability to increase output due to HR competitiveness gained from emp. availability of skilled labour. Higher output leads to ~~hi~~ more sales and profit for the businesses which ~~is~~ ~~fleet~~ ~~tea~~ means higher dividends for share holders, ~~so~~ increasing share demand and ~~share~~ share price.

However, other factors such as cost of production, political stability, infrastructure, natural resources should



also be considered before choosing a production location.

The extent to which skill and availability of labour matters to a business when choosing a production location depends on the proportion of their labour cost to total costs. Lower the proportion, lower would be the significance of labour ~~in which~~ <sup>with</sup> availability and skilled labour as a deciding factor.

Further, importance of much would depend on the nature of the business and its requirements when choosing a production location. ~~For instance~~ For an instance, a mining firm may choose to locate ~~in~~ in a area, which facilitates mining as opposed to, <sup>by</sup> ~~their~~ <sup>decision on</sup> ~~considering~~ <sup>skills and availability of</sup> labour in that area.

## **SECTION B**

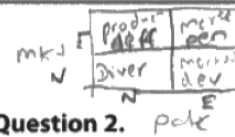
The case studies were accessible to students and acted as good platforms from which students could build their answers. Q7 was generally more accessible for students than Q6. Ansoff's matrix is a new topic in the specification and not all students were as familiar with it as they should have been. For the students 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. Good conclusions were rare, simply re-writing previously made points adds nothing to the answer.

### **Question 2**

Success in this question relied on an understanding of Ansoff's matrix and while the majority of students coped well, a significant minority had trouble in recalling and applying the concept. Most used the case study as a way of looking at how Ansoff could be applied and were able to link the various strategies of Harley-Davidson to the matrix. Less successful was any development of the purpose and usefulness of the matrix to a business, in terms of risk and in planning a strategy. Balance was often weak with throwaway comments such as needing to consider other options without explaining why. Good answers did explore the limitations of Ansoff with suitable justification.

The following response is a good one despite a little early confusion, it does apply the case study well and has balance explaining the possible problems with Ansoff and why other measures should be taken as well. It reached L3 and 12 marks.

## SECTION B



Read Extract D in the Source Booklet before answering Question 2.

- 2 Evaluate the usefulness of Ansoff's matrix for a business such as Harley-Davidson, when developing a global marketing strategy.

(20)

The Ansoff's matrix is a strategic tool used to help a company decide on investments whether how they have to be worked on, how different products fit into a specific category of the matrix etc. The matrix is divided up into 4 segments based on 2 factors, the market & product. If a new market & product are pursued its classed as diversification, if a new product and existing market are pursued its product differentiation, if a existing product in a new market is pursued it's market development and if its an existing product in an existing market it is market penetration.

Harley-Davidson the American manufacturer makes large powerful motorcycles for the American market, due to a recent decline they have planned to adopt new global strategies. Some problems Harley is currently facing is not being able to suit tastes and needs of other markets, being in a market not experiencing rapid growth and the American home market on a decline. Harley-Davidson is planning to partner up with Asian companies to manufacture smaller motorcycles which is preferred by the Asian market and especially India where the market is to experience considerable growth. This would fit into the segment of <sup>market penetration</sup> ~~product differentiation~~ since they are entering an existing market with existing products.

Harley-Davidson will continue to produce large and profitable motorcycles that made it a worldwide icon which will help them stick to their roots and have a good brand image but they will make lighter and mid-weight cycles to compete with ~~a~~ Ducati and Japanese manufactures, this is product differentiation since they are entering an existing market with a new product. Using the matrix they will be able to assess how much of an investment to make.

The increasing demand for electric modes of transport also pushed Harley-Davidson to develop an electric motorcycle which was on sale in 2019. The market for electric motor cycles hasn't experienced growth but expected to grow. In the matrix this will also fall into Diversification since the market is relatively new and so is the product. Investment in R & D may set Harley Davidson back however as Extract 2 states ~~Harley~~ the market is poised for growth in Asia and specially China where the government is backing electrification, this will allow Harley Davidson to enter the market more easily and sell.

However in the Ansoff matrix not all the factors are considered, it's a very brief tool which does have some benefits to such as aiding investment plans, showing risk and possible entry points into the market if ~~is~~ based on collected data and that may not always be accurate.



In conclusion the Ansoff matrix is a great tool to assess international markets however Horely-davidson should use it along with other tools such as the Boston matrix which shows market share and growth rate and investment appraisal which shows profitability of a project, with all these combined the risks will be less and information plentiful.

### Question 3

Most candidates could say something about adapting to local preferences but many did not go beyond simple assertions or copying out the source material without really adding anything useful to it. Balance was often lacking or based on assertions without supporting argument or evidence. The key to doing well in these longer questions is to develop the arguments and support them with evidence. Better answers used examples to support the idea that it depended on a range of factors such as the product itself or the cultural and social norms of the target market.

The following response is a good one and makes good use of the candidate's own knowledge beyond the evidence given in the paper (always pleasing to see). It was borderline L3/4 and scored 14 marks.

## SECTION C

Read Extract E in the Source Booklet before answering Question 3.

- 3 Evaluate whether adapting to local preferences is the best way to build a global brand. (20)

This method is known as glocalization, a mix between globalization and localization and states that products must adapt to appeal the domestic market.

Glocalization is essential. When wanting to build a global brand, businesses usually follow the geocentric marketing approach which adapts features but keeps the brand. When it comes to the food industry or the fashion retailers (modest clothing in the Middle East), then a geocentric adaptations are key. Food is diverse and every culture differs from the next. For example, take Oman, the complicated mix of Baluchi, Arab and Swahili all share one thing in common - spice. This is why fast food spots try to implement spicy foods into their meals (McDonalds: spicy grand chicken deluxe), or its rival KFC which sells spicy biryani rice. The point is this is what sells. By understanding the market and its consumers preferences, businesses may appeal to them to try to attract them.

This is also a way of avoiding offense (imagine McDonalds selling pork and beef in Orissa and India respectively). Therefore, when attracting customers globally, the business keeps its logo (golden arches). This way McDonalds is improving its global brand recognition. In turn this will improve the brand loyalty of customers, and as such makes it more globally competitive and improving its annual sales.

On the other hand, there are plenty of successful businesses who do not particularly participate in globalization. Thus, ethnocentric marketing. Such brands include Gucci, iPhone, Versace and such. These businesses sell by appearance and logos. As such, creating a prestigious western look. This is somewhat their USP and attract customers globally through the awareness of the brand. As such if the company was to adapt it would probably face lots of disappointment as the product must look the same everywhere (not one looking better than the other) as this removes its sense of inclusivity that customers chase. Thus, this option may be argued to be



the cheaper option as the business no longer needs to research the consumer preferences and cultural values and such, thus the money can then be reinvested to innovate the prestigious look instead.

In conclusion, geocentric marketing is not the only way to develop a strong global brand. Rather as seen in ethnocentric, it depends on the product, its price, its quality and whether or not it prides itself on being the prestigious product everyone internationally desires.

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

**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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