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**Pearson Edexcel
Level 3 GCE**

Centre Number

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Candidate Number

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Business

Advanced

**Paper 1: Marketing, people and global
businesses**

Monday 12 June 2017 – Afternoon

Time: 2 hours

Paper Reference

9BS0/01

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.

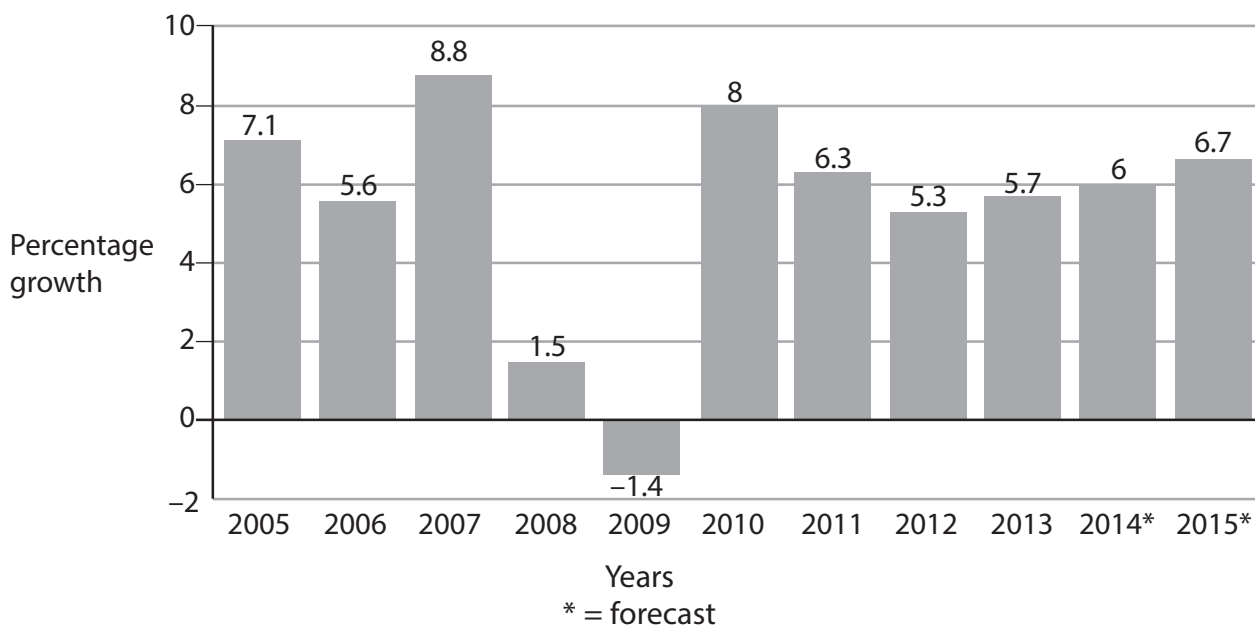
SECTION A

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

Write your answers in the spaces provided.

Extract A

Annual growth in global air traffic passenger demand from 2005 to 2015



(Source: adapted from <http://www.statista.com/statistics/193533/growth-of-global-air-traffic-passenger-demand/>)

Air passenger numbers were forecast to be 3.5bn people in 2015 and 3.75bn people in 2016.

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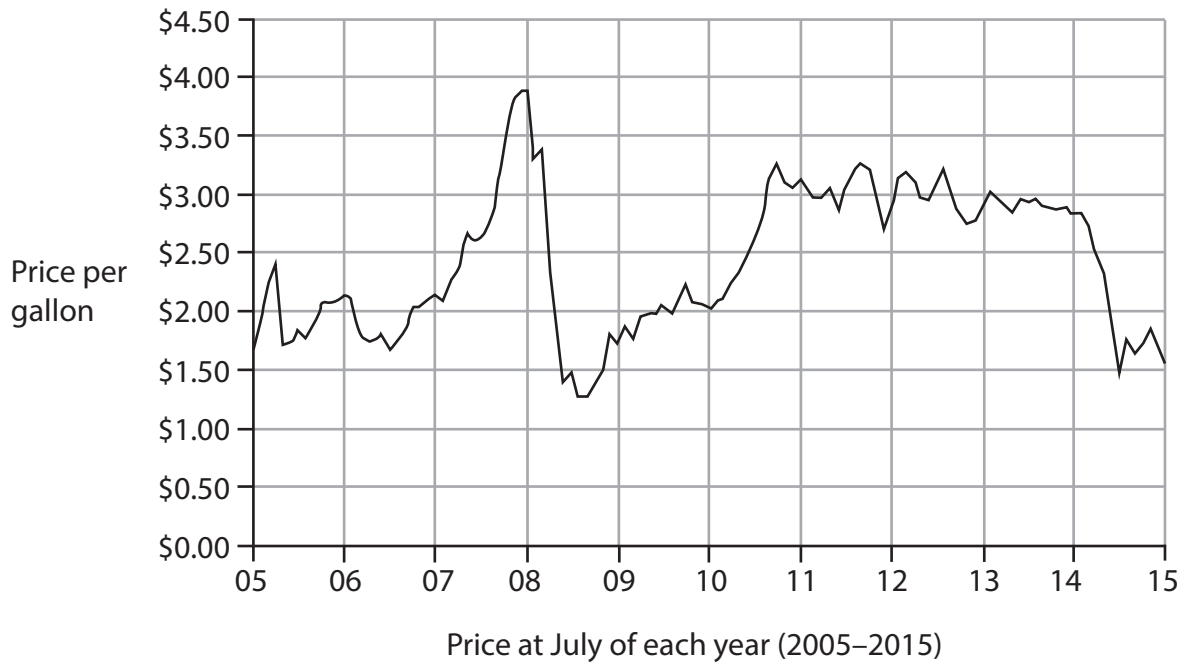
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Extract B

Jet fuel prices



(Source: adapted from <http://uk.businessinsider.com/cheap-oil-is-having-an-impact-on-air-travel-2015-8?r=US&IR=T>)

Extract C

Marketing strategies in the airline industry

Spirit Airlines is one of the fastest growing airlines in the USA. However, it brings little to the new markets it serves. It operates fewer scheduled flights on existing routes in markets that already have many competing airlines.

Spirit Airlines' pricing strategy is not simply to undercut other airlines, but to offer a radically different pricing structure. Whilst it offers lower fares, customers have less legroom and there are additional charges for all extras, including luggage and boarding pass printing. Spirit Airlines does not use travel agents; customers can only book online. 5

Emirates is one of the fastest growing airlines in the Middle East and Europe. It has always been clear about its market positioning. Emirates has established itself by offering a better product than many competitors, with a fantastic business class experience based on high specification aircraft and exceptional customer service. 10

(Source: adapted from <http://www.eyefortravel.com/revenue-and-data-management/airline-pricing-and-high-growth-strategy-tactics>)



Extract D

New CEO looks to re-structure struggling Rolls-Royce

Rolls-Royce is a 107-year-old prestigious British engineering company employing 54,000 people around the world, almost a third of whom are highly skilled engineers. In 2015 it suffered falling profits. The first major move by new boss Warren East was to remove a layer of its experienced senior management in an attempt to turn the business around. Without the extra layer of management, “a week would be saved for every month it took to make a decision”, East said.

5

The demand for Rolls-Royce engines fitted to large passenger aircraft remains unchanged. However, many airlines have been using modern, more fuel efficient aircraft, rather than their older models. As a result, profits from supplying spare parts and servicing have fallen significantly. In addition, sales of engines for corporate jets have declined sharply.

10

(Source: adapted from <http://uk.reuters.com/article/uk-rolls-royce-hldg-restructuring-idUKKBN0TZ01V20151216>)

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Air passenger numbers were forecast to grow from 3.5bn people in 2015 to 3.75bn people in 2016.

- 1 (a) Using the data from Extract A and the information above, calculate the difference in percentage growth in air passenger numbers between 2015 and 2016. You are advised to show your working.

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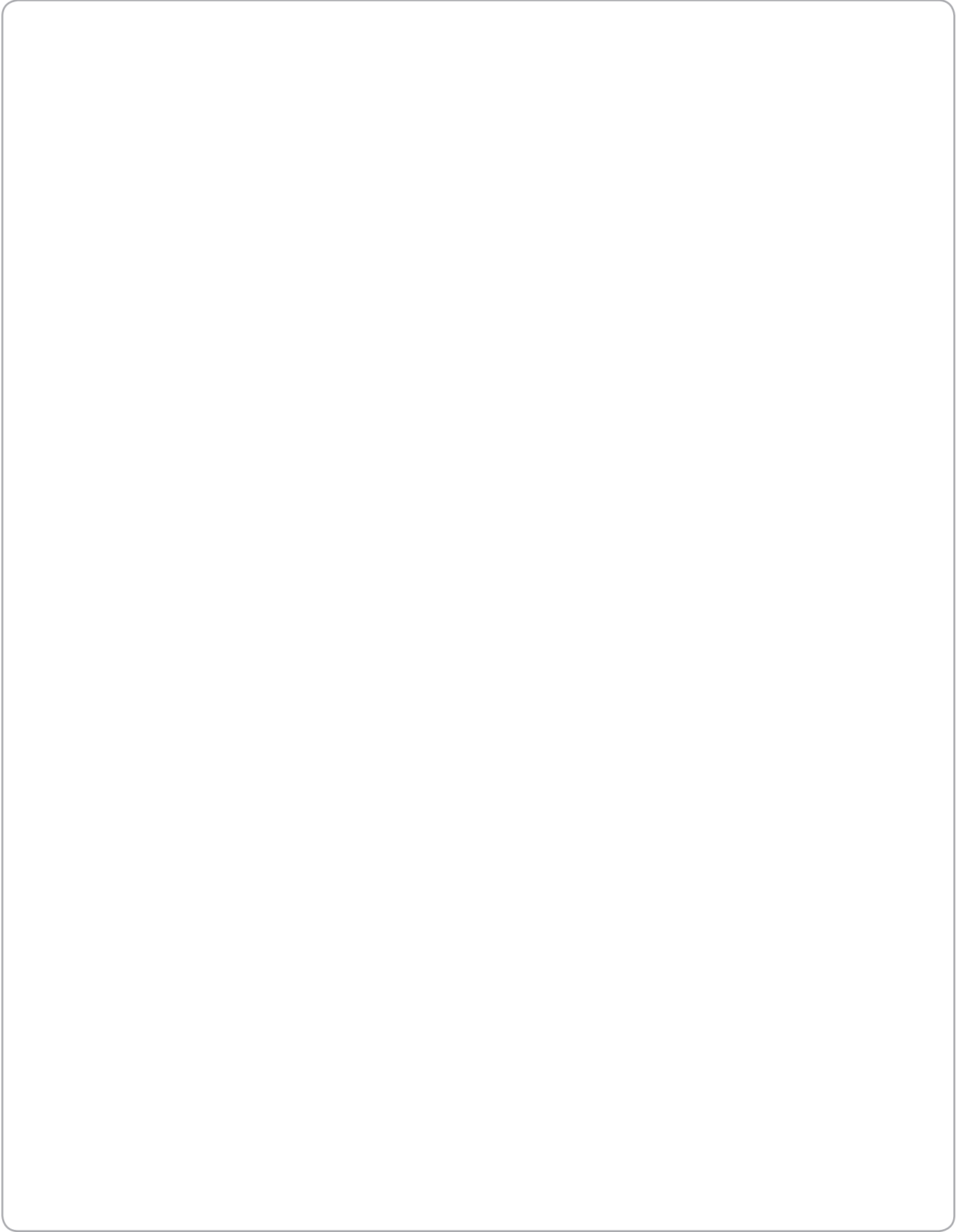
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(b) Using the data from Extract B, draw a supply and demand diagram for airline tickets to show the likely effects of the change in jet fuel prices between 2014 and 2015.

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(c) Assess the consequences to a business, such as Spirit Airlines, of only selling its tickets online.

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(d) Assess the likely importance of its market positioning to the success of a business, such as Emirates.

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Despite Warren East's restructuring, Rolls-Royce still has a 'tall' organisational structure. Two options for the future of Rolls-Royce are to remain as a tall structure or to change to a flat organisational structure.

- (e) Evaluate these **two** options and recommend which is most suitable for a business, such as Rolls-Royce.

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS



SECTION B

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

Write your answers in the spaces provided.

Extract E

Pfizer merges with Allergan

In 2015, American healthcare business, Pfizer, announced a merger with Irish Botox maker, Allergan plc, in a deal worth \$160bn. The merger created the world's largest producer of drugs and shifted Pfizer's headquarters to Ireland – a member of the European Union. Its headquarters are in Dublin; the business also manufactures in Cork and Sligo. This was the biggest ever instance of a US company relocating its headquarters overseas in order to lower its taxes. 5

The deal provided access to about 70 additional worldwide markets for specialist Allergan products, such as Botox wrinkle treatment, Alzheimer's drug Namenda and dry-eye medication Restasis. It was not known at that time how many jobs would be lost as a result of the merger. 10

For 166-year-old Pfizer, Allergan was the fourth merger or takeover in the previous 15 years, following the purchases of Warner-Lambert, Pharmacia and Wyeth. Pfizer made profits of \$9.135bn in 2014. This also caps a record year for global healthcare mergers, taking their total value in 2015 to more than \$600bn. 15

(Source: adapted from <http://www.reuters.com/article/us-allergan-m-a-pfizer-idUSKBN0TB0UT20151124>)

Extract F

Top rate of Corporation Tax as (%) of profits in selected economies

Location	2014	2015
Ireland	12.5	12.5
United Kingdom (UK)	21	20
United States (USA)	40	40
Asia (average)	21.91	21.96
European Union (average)	21.34	22.25
Global (average)	23.64	23.72

(Source: adapted from <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>)



Extract G

Multinationals and the economy of Ireland

In 2015, Microsoft was Ireland’s largest business, with a turnover of €19.8bn, and became one of the seven multinationals in the top ten largest businesses in Ireland. Just three Irish companies made it into the top ten, with CRH (building materials) in second place and Irish energy company DCC taking fifth place. Google took third place, with other IT businesses Dell and Oracle also in the top 10. Facebook climbed nine places to 28th. 5

The role of multinationals is a hotly debated topic, not only in Ireland but internationally too.

Foreign multinationals bring with them knowledge and technology; there are also gains from the increased competition generated by incoming firms. However, evidence of direct effects in Ireland is mixed. There are positive impacts from multinationals in sectors such as software and pharmaceuticals. Some evidence of a positive relationship between Foreign Direct Investment (FDI) and increased exports and productivity also exists. 10

Multinationals have had an impact on the labour market of Ireland, including on the average wage of the workers in the Irish economy. A high demand for high-skilled labour may lead to skill shortages, most notably in the IT sector. 15

(Sources: adapted from <http://www.independent.ie/opinion/columnists/dan-obrien/we-should-eke-more-entrepreneurs-out-of-multinationals-31579675.html>
<http://businessetc.thejournal.ie/irelands-biggest-companies-2116085-May2015/>)



2 (a) Explain how Pfizer could benefit from using a price skimming strategy.

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(b) Using the data in Extracts E and F, calculate the amount Pfizer would have saved in 2014 if it had paid corporation tax in Ireland, rather than the USA. You are advised to show your working.

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(c) Assess the ways in which specialisation might give a business, such as Pfizer, a competitive advantage when trading internationally.

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(d) Assess the likely impact on a business such as Pfizer, of a global merger with a business such as Allergan.

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The government of Ireland supports the location of multinationals, such as Pfizer, in their country if this benefits the local and national economy overall.

- (e) Evaluate the likely impacts on the Irish economy of Pfizer locating there and recommend if the Irish government should have supported this decision or not.

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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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