

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Pearson Edexcel
Level 3 GCE

Centre Number

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Candidate Number

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Friday 7 June 2019

Morning (Time: 2 hours)

Paper Reference **9BS0/03**

Business

Advanced

Paper 3: Investigating business in a competitive environment

You must have:
Insert (enclosed)

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

UK holiday trends for 2017

Research by the Association of British Travel Agents (ABTA) shows an increase in bookings for all-inclusive holidays. For consumers seeking value for money, ease of travel and a stress-free break, all-inclusive holidays provide the best solution.

With the UK £ sterling exchange rate and its economy both remaining uncertain, all-inclusive holidays, to destinations such as Mexico and South Africa, are easier to budget for.

The income elasticity of demand for holidays has increased for some UK tourists. Some consumers are switching from two-week beach holidays in favour of short-term experiences, such as city breaks or staycations.

(Sources adapted from: <https://www.howardtravel.com/about-us/blog/item/58-travel-trends-2017> and https://www.visitbritain.org/sites/default/files/vb-corporate/Documents-Library/documents/Culture_and_Heritage_Topic_Profile_Full.pdf)

Extract B

Shanghai Disney

The Shanghai Disney resort opened in June 2016, the first Disney resort on the Chinese mainland and the sixth worldwide. By May 2017, Shanghai Disney welcomed its 10 millionth visitor. It has enjoyed success in China because of the popularity of American culture amongst the younger generation in China.

Ding Song, of the China Development Institute, commented: "The Shanghai government played a very important role in the establishment of Shanghai Disney by funding research and development, as well as supplying the land."

Shanghai Disney is being operated in cooperation with Chinese company Fosun International.

Competition from Chinese rivals was expected to intensify over time, so in 2018 Shanghai Disney extended the resort to include Toy Story Land.

Other western theme park companies are seizing the opportunity to operate in China, due to its expanding middle class. Construction began in November 2017 on a \$7.4bn Universal Studios' park in Beijing, which is expected to open in 2020.

(Source adapted from: Shanghai Disney welcomes 11m visitors in first year
- By Tom Hancock © The Financial Times, June 19 2017 and <http://www.ecns.cn/business/2017/11-13/280636.shtml>)

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Extract C

Exchange rate of \$US and euro to £ sterling (2013-17)

	2013	2014	2015	2016	2017
\$US to £1	1.56	1.64	1.52	1.35	1.28
Euro to £1	1.18	1.24	1.38	1.22	1.14

Average number of holidays taken per adult in the UK per year (2013-17)

	2013	2014	2015	2016	2017
UK Holidays	1.9	1.8	1.7	2.0	2.1
Holidays Abroad	1.2	1.2	1.5	1.4	1.7
Total Holidays	3.1	3.0	3.2	3.4	3.8

© UKForex Ltd 2018



Extract D

Live the Adventure Ltd

Live the Adventure Ltd is a family business founded in 1984 which operates a leading UK activity centre in Shropshire. It offers an extensive range of activities, including archery, caving, climbing, horse riding and paintballing. The centre has a well-qualified permanent team of staff, supported by a number of seasonal employees.

Since 2010 Live the Adventure Ltd has provided expedition holidays at its other centre in Nepal, which specialises in kayaking, rafting and trekking holidays. Live the Adventure Ltd is considering offering winter activity holidays in Europe, such as skiing and snowboarding, to widen its customer base.

The quarterly sales for Live the Adventure Ltd, 2015-2017 are on the next page.

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Quarterly sales for Live the Adventure Ltd, 2015-2017

Year and *Quarter	Sales in £'000s	4 Quarter Total	8 Period Total	4 Quarter Moving Average (Trend)	Variation
2015 Q1	40				
2015 Q2	70				
		240			
2015 Q3	80		490	61.25	18.75
		250			
2015 Q4	50		510	63.75	-13.75
		260			
2016 Q1	50		530	66.25	-16.25
		270			
2016 Q2	80		550	68.75	11.25
		280			
2016 Q3	90		570	71.25	18.75
		290			
2016 Q4	60		590	A	B
		300			
2017 Q1	60		610	C	D
		310			
2017 Q2	90		630	78.75	11.25
		320			
2017 Q3	100				
2017 Q4	70				

(Source adapted from: Anthony Eddies Davies, principal owner and senior instructor of Live the Adventure Ltd)

*Q1 = Jan–March; Q2 = April–June; Q3 = July–September; Q4 = October–December



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1 (a) Using the data in Extract A, assess **two** reasons why income elasticity of demand for holidays may be income elastic.

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(b) Assess the factors that might affect the success of a global business such as Disney when entering a new market such as China.

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(c) Assess the extent to which movements in exchange rates might influence the holiday choices of UK consumers.

(12)

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS



SECTION B

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

Write your answers in the spaces provided.

Extract E

Mr High Flyer

Ryanair boss Michael O'Leary's entrepreneurial spirit came from his father, Timothy, who had set up a range of businesses over the years.

Whilst working in the Texas office of the world's first low-cost airline, Southwest Airlines, Michael O'Leary learned its strategy of flying into secondary airports with lower landing fees. He returned to Ireland inspired with ideas as the new Ryanair Chief Executive in 1994.

O'Leary considers himself to be abrasive, but also a visionary and humble.

"Am I cold-hearted and ruthless?" he asked himself during a TV interview. "I think in business terms, yes I am. I'm here to run a company. We must make money to survive. We must out-compete the competition".

© Politico.ie. 2018

Extract F

Civil Aviation Authority (CAA) takes action against Ryanair

The CAA is taking action against the budget airline for failing to comply with its regulations. Flights had to be cancelled as a result of Ryanair not correctly planning the work rotas for its pilots.

Ryanair failed to give customers accurate information about their rights and falsely claimed it did not have to re-route passengers onto other airlines. It also refused refunds for additional expenses such as meals, hotels and extra travel costs.

Even though Ryanair cancelled 20,000 flights in September 2017, passenger numbers actually increased in October 2017 by 8% when compared to October 2016. Furthermore, Ryanair forecasts a €1.4bn full-year profit after tax for the year ending March 2018, even when taking into account €25m in compensation payments. Furthermore, Chief Executive Michael O'Leary said "higher pay to attract and retain flight crew will add €100m to the airline's annual costs".

(Source adapted from: Ryanair passenger numbers increase by 8% year-on-year in October despite cancelling thousands of flights, by Emma Featherstone © The Independent - November 2017)



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Extract G

Budget or bust?

In September 2017 Monarch Airlines finally went into administration.

Monarch Airlines failed to adapt quickly enough to the low-cost, no-frills model popularised by easyJet and Ryanair. Monarch only began changing from a charter airline to a low-cost airline in 2009, by which time it was a tenth of the size of Ryanair.

Monarch relied on Middle East tourism, which fell due to terror attacks in Tunisia and Egypt, the failed 2016 coup in Turkey and the ongoing Syrian civil war and migrant crisis. At the same time, the depreciation in £ sterling had a big impact on fuel and maintenance costs.

In 2016 Monarch agreed to lease a new fleet of Boeing-737s, to replace its fleet of ageing Airbus. This would have dramatically reduced both fuel and maintenance costs, but the first of the planes wasn't due to be delivered until 2018.

Owners Greybull Capital chose not to save Monarch for a third time in four years, having paid £125m when it acquired the airline in 2014, and £165m to rescue Monarch in 2016.

© Haymarket Media Group 2017

Extract H

Ryanair partners Air Europa to the Americas

In May 2017, Ryanair announced a partnership with Air Europa. This enables its 130 million customers to book Air Europa long-haul flights on the Ryanair.com website. UK customers are able to browse and book Air Europa flights on 20 long-haul routes from Madrid to a number of countries in North, Central and South America. The main competitors on these routes are Spain's Iberia and Vueling airlines.

	UK	Argentina	Brazil	Cuba	Mexico	USA
GDP (\$) per capita 2016	43 200	20 100	15 200	11 900	18 900	57 600
GDP growth 2016 %	1.8	(2.0)	(4.2)	(1.2)	2.3	1.5

© Ryanair DAC 2018



2 (a) Assess **two** difficulties for Michael O'Leary when developing from an entrepreneur to a leader.

(8)

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(b) Assess the likely effects of consumer protection legislation on a business, such as Ryanair.

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(c) Assess whether Monarch Airlines' business failure was due to internal causes.

(12)

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For long-haul flights to the Americas, Ryanair and Air Europa could use competitive pricing or a penetration pricing strategy to maximise profit.

- (d) Evaluate these two pricing strategies and recommend which **one** should be used by Ryanair and Air Europa to maximise profit.

(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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Pearson Edexcel Level 3 GCE

Friday 7 June 2019

Morning (Time: 2 hours)

Paper Reference **9BS0/03**

Business

Advanced

Paper 3: Investigating business in a competitive environment

Insert

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Investigating business in a competitive environment

Context

This year the context is the market for holidays in the UK and abroad, and the UK-based businesses operating in these markets.

Research

To prepare for this year's context, you should research:

- UK consumer trends over the last 10 years, such as activity holidays, staycations, city breaks, package holidays
- influences on UK-based consumers for holidays, such as the growth and development of emerging economies, social trends, changing costs and prices, and external factors
- major businesses and niche operators in the holiday market, including budget airlines
- the competitive environment facing UK-based holiday businesses.