



GCE A LEVEL

A510U30-1



BUSINESS – A level component 3
Business in a Changing World

FRIDAY, 7 JUNE 2019 – MORNING

2 hours 15 minutes

ADDITIONAL MATERIALS

A WJEC pink 16-page answer booklet.
A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.
Answer **all** questions in Section A.
Answer **one** question from Section B.
You are advised to spend no more than:
• 80 minutes on Section A
• 55 minutes on Section B

Write your answers in the separate answer booklet provided.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.
You are reminded of the need for good English and orderly, clear presentation in your answers.

SECTION A

Answer **all** the questions in this section.

1. Read the information below and answer the questions that follow.

Background

Toyota is a Japanese car manufacturer. Since launching its first car in 1936 Toyota has experienced significant growth. In 1989 Toyota introduced its luxury brand, Lexus and created a new market in 1997 with production of the first mass-produced hybrid vehicle in the world, the Prius. A hybrid vehicle uses electric power in addition to petrol or diesel from the fuel tank to lower emissions to reduce environmental damage caused by cars. Toyota operates in multiple sites throughout the world including sites in the UK.

Toyota's Global Vision includes

- Toyota will lead the way to the future of mobility, enriching lives around the world with the safest and most responsible ways of moving people.
- Through our commitment to quality, constant innovation and respect for the planet, we aim to exceed expectations and be rewarded with a smile.

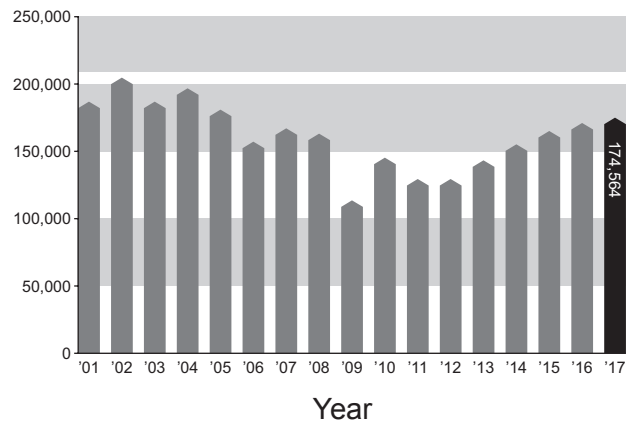
The company continued to expand to new markets by targeting younger buyers with the launch of its affordable Scion brand (2003). This has been followed at the other end of the market by the unveiling of the world's first luxury hybrid vehicle, the Lexus RX 400h (2005).

Troubled times

More recently Toyota has faced significant challenges:

- Sales of new cars fell sharply after the global financial crisis of 2008 (see chart) that caused a recession.
- In 2010 Toyota carried out a worldwide product recall of 436 000 hybrid vehicles in order to fix brake problems.
- Beginning in 2014, millions of vehicles manufactured by Toyota were recalled because of potentially malfunctioning airbags.
- In 2017 Toyota saw profits fall. Despite having sold more cars in the year to March 2017 than in the previous 12 months, higher costs and unfavourable exchange rates led to profits falling by 21% from 2016-17.

January New Car Registrations 2001 to 2017 (UK)



As a global economic recovery has slowly occurred and a growth in manufacturing taken place, the UK and other countries increased interest rates. In 2017 the UK increased interest rates for the first time in 10 years.

Moving times

In 2017, Donald Trump said Toyota would face large tariffs on cars built in Mexico for the US market. He campaigned on promises to increase manufacturing and expand employment for car workers in the US. President Trump was delighted with the news that Toyota and Mazda had teamed up to invest \$1.6bn in a new car plant in the US. The new factory aims to produce 300 000 vehicles a year and expects to employ about 4 000 people. The President tweeted the decision was “a great investment” in US manufacturing. The two carmakers have also agreed to join forces to develop electric car technology, and Toyota is to gain a 5% share in Mazda.

Toyota were initially planning to produce one of its vehicles at a new \$1bn production plant in Mexico, but it has been suggested that after President Trump’s announcement, Toyota decided production of this vehicle should shift to the US. A new Mazda vehicle will also be made at the new US factory, with the two companies hoping production will begin in 2021.

Future developments

Toyota and Mazda are cooperating on the development of fully electric-powered vehicles as the car industry adapts to a tightening of legislation regarding vehicle emissions regulations. Toyota has set a goal for all of its vehicles to be zero emission by 2050. This target comes with large research and development costs.

As well as having car sales dealerships, customers can use Toyota’s website to select car colours, engine sizes and other options when designing and buying their new car. Toyota and Mazda also plan to work together on developing in-car information technologies such as onboard Wi-Fi and driver assist technologies. In addition, competition intensifies over the development of self-driving vehicles.

Toyota’s website states “We’ll develop new forms of transportation and pursue new ways to connect technology with people.” This is evident in their technological developments. Toyota promotes itself as a pioneer of hybrid cars and is now investing heavily in innovative technology including hydrogen fuel cells to significantly improve battery capability and reduce harm to the environment. Toyota are developing a flying car design known as ‘SkyDrive’. Videos of the car can be seen on YouTube and it is hoped that the flying car will be used to light the flame of the Tokyo Olympics in 2020.

Car scrappage deals

Renault, Nissan and Kia have car trade-in schemes, aimed at persuading UK customers to swap older, more polluting diesel car models for new ones. Volkswagen (VW) and Toyota also announced diesel scrappage schemes, joining BMW, Ford, Hyundai, Mercedes-Benz and Vauxhall, who have all launched schemes. The car companies will accept trade-ins from any vehicle registered before 2012.

One of the reasons for these schemes related to government regulations leading to the introduction of tougher emissions tests on new vehicles with the aim of reducing harmful car emissions to help the environment.

Kia and Renault offered £2 000 discount on their new models, for part-exchanged vehicles, all of which were scrapped. However, Nissan is calling its scheme a “switch” scheme since not all the cars traded-in will be scrapped. Nissan is also offering a £2 000 incentive and encouraging customers to consider buying their all-electric Leaf model.

Toyota customers can get a discount of up to £4 000. Paul Van der Burgh, Toyota GB managing director, said: “Our scrappage scheme is a win-win solution. Motorists can dispose of their older vehicles and have access to our cleaner, more efficient model range.”

Car manufacturers have been under increasing political pressure to encourage consumers to buy less polluting cars. It follows VW’s “dieselgate” scandal, in which 11 million vehicles worldwide were found to have cheated on emissions tests. VW’s UK scheme offers discounts of up to £6 000 off new vehicles. Electric and hybrid vehicles, which attract government grants, will be included in the scheme.

It is hoped that these developments will inspire greater confidence that new cars will be the cleanest and the most fuel efficient ever produced.

- (a) Explain ways in which businesses can use contingency planning to deal with potential risks such as Toyota’s product recall and VW’s “dieselgate”. [6]
- (b) Assess the impact upon Toyota’s stakeholders of the decision to relocate production from Mexico to the United States. [10]
- (c) Discuss the benefits and difficulties for Toyota of implementing their environmentally friendly policies. [10]
- (d) Consider how technological developments have influenced Toyota’s marketing strategy. [12]
- (e) Evaluate the impact of the business cycle, interest rates and exchange rates on Toyota. [12]

SECTION B

Answer one question from this section.

2. Business growth

- (a) Explain how Porters 5 Forces may be useful to a small independent bakery seeking to enter a new market. [10]
- (b) It is always better for a business to grow organically rather than engage in external growth. Discuss. [20]

3. Market forces

- (a) Explain why it is possible for cinemas to develop into oligopolies whilst a butcher's shop is more likely to be in monopolistic competition. [10]
- (b) Without government intervention stakeholders would be exploited by businesses. Discuss. [20]

4. Marketing strategy

- (a) Explain how the Boston matrix may be a useful management tool to a business experiencing slow sales growth. [10]
- (b) Global brands should maintain the same marketing mix in every country to be competitive. Discuss. [20]

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