



GCE A LEVEL

A510U30-1



O20-A510U30-1



MONDAY, 19 OCTOBER 2020 – MORNING

BUSINESS – A level component 3
Business in a Changing World

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

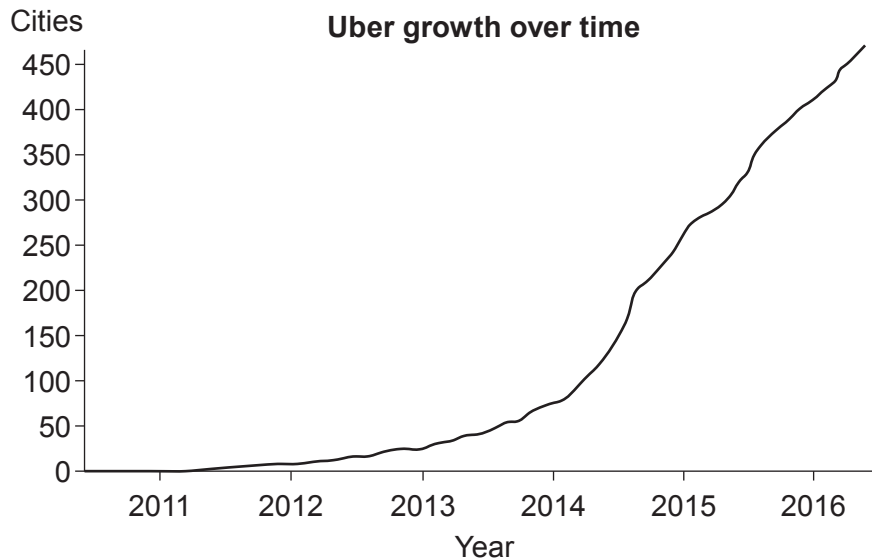
Answer **all** the questions in this section.

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

A gap in the market

On a snowy evening in Paris during December 2010, Travis Kalanick and Garrett Camp couldn't get a taxi – the idea for Uber was born. The two entrepreneurs designed a smartphone app that allows people to order a taxi from their mobile device. Customers are given an estimated price for their journey and have the ability to pay through the app. Uber does not own any taxis but instead takes 25% of the taxi fare in return for providing the app that allows the drivers to accept bookings. In 2011, the Uber app connected its first customer with a taxi.

Over the next few years, Uber's growth increased as it moved into new cities and is now in over 70 countries around the world. Uber was recently valued at \$72bn, making it one of the most valuable private limited companies in the world. The business is planning to float on the stock exchange and move from being one of the biggest private limited companies to one of the biggest public limited companies.



Free wheeling

Uber has invested substantial time and capital into the development of self-driving vehicles. Self-driving Uber vehicles have been taxiing customers in America since 2017. Despite claims that self-driving cars are the future of the taxi industry their use has not been without incident. In March 2018, Uber suspended self-driving car tests after a woman was killed after being hit by one of Uber's self-driving cars as she crossed the road.

Although self-driving vehicles are an innovative move in the taxi industry it is unlikely that Uber will have the market to themselves. British competitor, Addison Lee, has joined forces with a self-driving software specialist and aims to offer self-driving taxis in London by 2021, pending regulatory permission.

Uber annoyed drivers

Perhaps Uber has another reason for developing self-driving vehicles. Many of Uber's drivers are not full-time taxi drivers and use the app in order to carry out casual work and gain additional income. Although this flexibility in working hours suits many Uber drivers, in 2018 many of Uber's UK drivers went on strike in a protest over pay and working conditions.

During a pre-arranged strike day, Uber drivers switched off their apps, making themselves unavailable for work. The trade union representing Uber's drivers demanded a price increase for customers, a reduction in commission paid by drivers to Uber and an end to what it calls 'unfair' driver deactivations, which is when Uber decide to stop sending customer requests to Uber drivers.

Trade unions are also asking Uber to recognise drivers using its app as permanent employees rather than temporary workers. This would entitle them to benefits such as being paid a minimum wage and holiday pay, which are currently denied to self-employed drivers. An Uber spokesperson said the company stood by its pay record, adding that it had already introduced sickness, injury, maternity and paternity protections.

Uber political

Uber hasn't always had a smooth ride in its international markets. In September 2017, Uber's new boss Dara Khosrowshahi came to London when Uber's licence to operate in the city was under threat. Rejecting claims of pollution and congestion caused by Uber drivers, Dara Khosrowshahi revealed plans to make all Uber vehicles in London electric by 2025 adding that this was part of a grand strategy to make transport cleaner and safer. The move is funded by a 15p per mile increase to the taxi fare.

The Uber boss is determined to be a 'strong local partner' with Transport for London in achieving their objective of reducing air pollution in London. Taxis are a major contributor to pollution and congestion in London. However, Uber insist most of its taxis are hybrids and all vehicles contributed equally to congestion. Uber car sharing is already a feature of their app helping to cut congestion and pollution in cities.

For Uber to have an all-electric taxi service by 2025 the biggest consideration is in charging the batteries of electric vehicles. It is likely that most drivers will not have off-street parking where they can plug in overnight and will have to use the few available charging points in central London, which will cause more congestion. Dara Khosrowshahi admits there is a problem with the infrastructure stating, "the city is going to need to invest in it and we'll need to support them."

The Mayor of London has decided to seek similar restrictions to tackle congestion as those used in New York, where the city council imposed a temporary cap on new licences for taxis in order to have an effect upon the number of vehicles on the road.

Several organisations representing taxi drivers hired solicitors to determine if the drivers had a case against Uber over loss of earnings. One organisation claimed the taxi drivers who had average annual earnings of £50 000, each lost £10 000 a year since Uber began operating in London in 2012. However, a lawyer said the organisations had 'no obvious cause of action' against Uber and that they were 'essentially complaining about competition'.

Uber has been involved in other legal disputes. The business paid \$148m to settle legal action over a cyber-attack that exposed data from 57 million customers and drivers. When the security breach happened in 2016 Uber tried to hide it from regulators by paying the hackers behind the cyber-attack \$100 000 to delete the data they obtained from Uber's cloud servers. In addition to paying the fine, Uber are required to submit regular reports on security incidents to regulators.

Taxi without the cab

After the successful introduction of individual modes of transport used as taxis, such as electric scooters and bikes in some of its city locations, Uber now plans to focus more on this despite the fact it could reduce profits. Mr Khosrowshahi said that these individual modes of transport were better suited to inner city travel for those that make frequent shorter journeys stating,

“during rush hour, it is very inefficient for a one-tonne hulk of metal to take one person on a short journey.” He added, “short-term financially, maybe it’s not a win for us, but strategically long-term we think that is exactly where we want to head.”

Uber makes less revenue from a bike ride than from the same trip in a car but believes this can be offset as customers use the app more frequently for shorter journeys. Although revenue from its taxi business is rising, the cost of expansion into new areas such as bike sharing and food delivery has meant costs have grown rapidly.

Uber Eats

Uber Eats allows customers to order take-away food through an app and Uber drivers will deliver the food to their door. Uber Eats generates \$6bn revenue a year and has grown by 200% annually. Although the company’s expansion into food delivery has reduced its short-term profits this has been an interesting avenue for growth.

The food delivery market is highly competitive. In order to develop a larger share of the global food delivery market Uber has begun discussions to acquire one of the largest providers of this service, Deliveroo, who have 50 000 delivery drivers in over 200 cities worldwide. As a result of these talks, the share price of Just Eat, the market leader in the UK food delivery market, fell by 5.5% as the combination of Uber Eats and Deliveroo could create a dominant force in the market.

Uber Eats and Deliveroo differ from Just Eat both in terms of the geographical locations and the type of service offered. In terms of geographical locations, Just Eat focus on smaller towns and cities with nearly two thirds of its UK customers being outside the 11 top cities, whilst the majority of Uber Eats’ and Deliveroo’s customers are in the largest cities.

- (a) Explain the causes of change which have led to the rapid development of Uber. [8]
- (b) Discuss the impact on stakeholders of Uber becoming a public limited company. [10]
- (c) Financial methods of motivation are more important to a flexible workforce than non-financial methods. Discuss. [10]
- (d) Evaluate Uber’s growth strategy. [10]
- (e) Evaluate the impact of legal, ethical and social factors on Uber’s activities. [12]

SECTION B

Answer one question from this section.

2. International business

- (a) Explain the factors that have contributed to the globalisation of technology companies such as Apple and Microsoft. [10]
- (b) “The impact of multinational companies on the countries in which they operate is always positive.” Discuss. [20]

3. Finance

- (a) Explain the different sources of finance which may be suitable for established and large businesses considering expansion. [10]
- (b) Evaluate the statement “businesses of all sizes undergoing expansion will always experience cash flow difficulties”. [20]

4. Decision making

- (a) Explain the strategic, tactical and operational decisions that a business operating in an oligopolistic market may make. [10]
- (b) “Decision-making tools such as decision trees, critical path analysis and cost benefit analysis are the most important tools when making large-scale business decisions.” Discuss. [20]

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