



**GCE A LEVEL**

1510U40-1



**BUSINESS – A2 unit 4**  
**Business in a Changing World**

MONDAY, 11 JUNE 2018 – AFTERNOON

2 hours 15 minutes

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### **ADDITIONAL MATERIALS**

In addition to this examination paper, you will need:

- 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 case study below and answer the questions that follow.

### **Amazon.com: It is a jungle out there**

#### **Source of the Amazon.com**

Jeff Bezos, founder of Amazon.com, first launched the website as an online book store in 1995. Jeff chose books due to their low price, huge choice of titles and high demand. Originally, the company operated out of Bezos' garage in Washington but it soon became clear that this business was destined for greater things. In the first two months of business, Amazon sold books to the US and 45 other countries. Within two months, Amazon's sales were up to \$20 000 a week.

Jeff's main objective was growth. For the first 5 years Amazon didn't make a profit. Instead, any potential profit was reinvested into the business to assist with the aim to 'get big fast'. Rapid growth seemed a reasonable target at the time as use of the internet was growing significantly. Many investors invested their money in internet start-up businesses, resulting in a rapid increase in the value of their shares. This was known as the dotcom bubble. However, this wasn't to last forever. By 2000 the dotcom bubble had burst. As few industry experts had expected the crash, many of Amazon's potential rivals became bankrupt as investors lost interest in website based companies. As Amazon had retained enough liquidity to survive, this opened up an opportunity for Amazon to take centre stage as the world's biggest online trader.

From June 2000, Amazon's logo featured a curved arrow leading from A to Z. This was to indicate the huge range of products on offer through the company's website. From this point onwards if customers wanted any product, they could probably find it on Amazon.

#### **Growth and alliances**

After the dotcom bubble had burst, established high street retailers were cautious about developing their own websites. Jeff Bezos, took advantage of this lack of confidence and filled in the gap by working with around 400 retailers including Toys R Us, GAP and Target in order to control distribution of their products through an online platform. Other retailers were soon to follow including Marks & Spencer, Mothercare and Lacoste. Amazon provided a unified multichannel platform where customers could interact with the retailers electronically via websites, standalone in-store terminals, or phone-based customer service agents.

In 2011, Amazon announced a partnership with DC Comics for the exclusive digital rights to many popular comics, including the superheroes Superman, Batman and Green Lantern. The deal forced well-known bookstores like US Barnes & Noble to remove these titles from their shelves helping Amazon secure a niche within the competitive literature market.

In 2016, Amazon announced a partnership with the UK Civil Aviation Authority to test some of their technologies. As a result, Amazon may begin using flying drones to deliver products to its customers who need them the same day.

As well as acting on behalf of sellers, Amazon has also bought a range of web-based companies to add to its portfolio. Zappos.com was one such company and since working with Amazon it has become the US's biggest shoe retailer.

## Products

Amazon has come a long way from its humble beginnings as an online book shop, now offering a range of hardware products such as the Kindle, which was the world's first e-reader. As customers now had an alternative to paper-based books, many offline book stores, such as Borders, were forced to close due to a lack of custom. Other innovations such as the Fire TV stick, Fire tablet and Amazon digital game store were to follow. Amazon Studios produce some of the content for Amazon Prime with other output distributed via Amazon Video.

Aside from Amazon's own products, many sellers use Amazon.com as an online trading platform. Traders can set up international distribution of their products through the 'Build International Listings' process. This allows traders to select countries as 'target' marketplaces for international sales. Amazon makes it clear that it is the seller's responsibility to ensure that products comply with local laws.

Despite Amazon making selling requirements clear, Apple have taken legal action against Amazon due to the level of fraudulent products on sale through their site. Apple claims to have bought "well over" 100 iPhone devices, power adapters and charging cables finding almost 90% of them were fakes, some of which had the potential to overheat and catch fire whilst in normal use.

## Controversy at Amazon.com

Amazon is a significant employer within the UK marketplace with more than 7000 staff at its UK distribution centres. Good news for the UK economy? However, bad press occurred after the BBC aired an episode of its Panorama news programme which exposed poor working conditions at Amazon's Swansea warehouse. This warehouse is 8000 square feet and contains miles of shelving. Workers with hand held scanners are given fixed amounts of time to find and scan each product on the shelves with the device counting down the seconds they have to reach the product and scan the box as 'picked'.

GMB trade union representative Elly Baker claims "There's a very strong target-driven culture and those targets are set, we believe, above what is reasonable for people to be able to deliver day-in, day-out.... We're finding that people have work-related stress initially, and then as the pressure mounts they can get anxiety and depression related to that." Elly goes on to say "Employees are having muscular problems and joint problems because of the volumes of work and pressure on them to deliver."

Amazon has a tendency to avoid trade unions, instead focusing on 'worker forums' as a method of gaining employee feedback. A spokesman from Amazon highlighted the company website which gave information about staff benefits, private medical insurance, worker forums, worker health and the willingness to open up the distribution centres to public tours.

Although a highly profitable company, Amazon has been highly criticised for paying very little UK tax. Consequently, UK tax revenue is lower than it may otherwise be, limiting potential spending on public and merit goods. As a result, international tax laws are changing, with the emphasis on revenues being registered in the country where a sale takes place.

## The future

In 2016, Amazon opened their first 'Go' store to Amazon staff. 'Go' stores are grocery shops without a checkout process, where customers will instead pay for the goods they have selected via an app. Once testing is complete the intention is to offer this service to the public.

Amazon has been given permission for a 24-hour distribution centre in Coventry, creating more than 1600 jobs. Although the city council has approved the plans for the former Jaguar site, opponents want the site, an area equivalent to 18 football pitches, to be used for manufacturing rather than goods "being shipped" from overseas.

- (a) Explain how changes in technology and market conditions have impacted upon Amazon. [6]
- (b) Explain how contingency planning may have aided the survival of businesses experiencing sudden events such as the bursting of the dotcom bubble. [8]
- (c) Discuss the view that working conditions at Amazon are ethical. [12]
- (d) Using SWOT analysis, evaluate the strategic position of Amazon. [12]
- (e) Consider whether the objective of rapid growth is of benefit to all of Amazon's stakeholders. [12]

**SECTION B**

*Answer one question from this section.*

**2. Wales and the European Union**

- (a) Outline the implications to small businesses in Wales if the UK were to implement protectionist policies. [10]
- (b) Evaluate the impact on businesses and their stakeholders of the UK leaving the European Union. [20]

**3. Cost benefit analysis**

- (a) Describe the likely public costs and benefits of building a new motorway to connect North Wales to South Wales. [10]
- (b) 'Public costs and benefits will always be less valued by businesses than private costs and benefits.' Discuss. [20]

**4. Markets**

- (a) Describe how independent local grocery shops can remain in the market place despite the existence of large businesses. [10]
- (b) 'Customers need protection from exploitation by businesses.' Evaluate this statement. [20]

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