



Write the two digit question number *inside* the boxes next to the first line of your answer

### Answer

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1 a

Contingency planning is the act of preparing for a potential scenario, in which, the business in question would be negatively affected. Contingency planning helps ~~prepare~~ prepare for risks. One way in which businesses such as Toyota and VW could use contingency planning to deal with risks, is by possibly having a PR strategy in place, for if there is a fault with the product, such as ~~the~~ Toyota having to recall ~~the~~ potentially millions of vehicles. This could limit the reputational damage of a possible crisis.

~~Another way~~  
Another way in which companies such as Toyota and VW could use contingency planning, ~~is~~ is to stockpile spare parts of their cars. In this case, if there is a fault or issue, which leads to vehicles having to be recalled, the faulty part(s) can be replaced or fixed quickly, such as when Toyota had problems with their car airbags and had to recall millions of vehicles. Again, this could limit reputational damage, as, if the problems are fixed quickly, people could see Toyota or VW as a responsible company.

A01 = 2 A03 = 34 (6)

1 b

A stakeholder is any individual, or organisation that is affected by the activities of a business. One stakeholder that is affected by Toyota's decision to relocate their production, is the US government. The US government would benefit from the decision, as Toyota have made the decision to invest a significant amount of



money ~~to~~ into their economy. As a result, the US government can anticipate an increase in economic growth, as well as an ~~and~~ increase in employment. Therefore, one stakeholder that would benefit from Toyota's decision to relocate production, is the US government.

However, one stakeholder that would be negatively affected by Toyota's decision to relocate production, is the Mexican government. This is because, Toyota were initially planning to invest in a new car being produced at its plant in Mexico. However, ~~at~~ Toyota decided against this, and instead, due to US protectionist policies, teamed up with Mazda to invest in a \$1.6 bn car plant in the US. As a result, the ~~the~~ Mexican government is losing out on potential new investment, which could have potentially boosted the Mexican economy. As a result, economic growth could decrease, as well as consumers' disposable incomes. The decision would also have harmed both business and consumer confidence in Mexico. Therefore, the Mexican government is a stakeholder that ~~has~~ would suffer negative effects from Toyota's decision to move production.

Overall, the impact upon Toyota's stakeholders is dependent upon which country they are in. If they are in Mexico, ~~as~~ such as the Mexican government, then the impact is negative, due to ~~the~~ the retraction of investment, as well as damage to employment



and consumer confidence. If they are in the US, such as US communities, then they are likely to positively benefit, due to potentially increased incomes and employment, as a result of Toyota relocating to the US.

A01=2 / A02=1 / A03=2 / A04=2

7

1 c

One benefit of Toyota implementing their environmentally friendly policies, is that Toyota could potentially see an increase in revenue from its car scrappage scheme. This involves the consumer trading in their old car for <sup>a discount on</sup> a new, more environmentally friendly one. This ~~process~~ could lead to Toyota having a better brand image, ~~as a result~~ which could lead to more consumers purchasing their cars in the future, potentially improving Toyota's profits or market share. This, coupled with the fact that the scheme alone would see an increase in demand for ~~the~~ Toyota's environmentally friendly cars due to discounts, would mean that the ~~scheme~~ environmentally friendly policy is beneficial to ~~the~~ Toyota.

However, a difficulty of Toyota's ~~or~~ environmentally friendly policies, is that it requires a high level of research ~~and~~ and development costs <sup>into higher cars</sup>. If Toyota do not find a new, potentially groundbreaking, idea or system with this R+D, then it would be a waste of money. Also, it reduces the amount of money in the form of dividends that shareholders get paid. ~~As a result~~ If there is no return from the investment, then there may be an



opportunity cost of using the money elsewhere in the business. This, along with the high competition and government pressure to be environmentally friendly & illustrate the difficulties of Toyota's environmentally friendly policies.

Overall, the benefits, including, potential for future sales, better brand image, and higher chance of attracting government grants, ~~etc~~ outweigh the difficulties, of Toyota's implementation of their environmentally friendly policies. The difficulties include R+D costs, government pressure, and high competition, in environmentally friendly cars.

A01=1 A02=2 A03=3 A04=1 (7)

1 d

Developments in technology have influenced Toyota's marketing strategy. This is evident in ~~the way that~~ the use of their ~~sky~~ 'Sky Drive' flying car for promotional activities. Toyota have used their use of technology to give themselves a unique selling point, in terms of marketing. This ~~can~~ can then be used as a marketing strategy, in which Toyota can increase their number of customers, who would see it as an innovative company due to the use ~~of~~ of the USP.

Toyota can also use their status as a ~~top~~ leading innovator - and developer of environmentally friendly car technology as a part of their marketing strategy. This way, their customer base can see the ~~sky~~ way



Toyota are an innovative firm, and buy into the ideas that Toyota are promoting.

$$A_{D1} = 2$$

$$A_{D3} = 1$$

$$A_{D2} = 2$$

$$A_{D4} = 1$$

(6)

1 e

Toyota has been relatively heavily affected by the economic cycle. As a result of an economic downturn, this seems to have a negative effect on the amount of cars Toyota sells. This was especially evident in the way that Toyota suffered heavily during the recession of 2007/08/09, in which their car sales dropped dramatically. Since the economy recovered, Toyota's sales did too, and have been increasing since 2011. The reason why Toyota suffer in a recession, is because their cars are luxury goods. This means that, when consumer incomes decrease, people do not buy the cars, but when their incomes increase, they do buy the cars. The incomes of consumers decrease in a recession, hence the decrease in Toyota's sales. Therefore, Toyota are heavily affected by the economic cycle.

Toyota would likely also be affected by interest rates. Interest rates, determined by Bank of England base rates in the UK determine the cost of borrowing. As they increase, borrowing becomes more expensive and vice versa. Changes in interest rates affect investment, as it is cheaper to invest when the cost of borrowing is low. As the bank base rate is currently 0.75%, this means borrowing is cheap, and Toyota can



Increase their investment. After the interest rates increased in 2007/08, Toyota would have had less investment due to more expensive borrowing, another reason why their sales suffered. Therefore Toyota are also heavily impacted by interest rates. <sup>Low interest rates also encourage consumer spending</sup>

Exchange rates, however, seem ~~to~~ to have less of an impact on Toyota. Exchange rates are the price of one currency in comparison to another. As a result of lower exchange rates, exports increase due to the currency being cheaper and vice versa. ~~As a result of lower exchange rates~~  
However, the UK has a relatively high exchange rate, and Toyota are still able to sell cars they produced there. This suggests that Toyota have high quality <sup>cars</sup> ~~goods~~ that consumers don't mind paying extra for, meaning exchange rates do not have much of an impact on Toyota.

Overall, it is clear that both the economic cycle and interest rates have a ~~high impact~~ large impact upon the Toyota, as they have a significant impact on demand for their vehicles. Exchange rates, however, do not have a large impact, suggesting Toyota make high quality vehicles, therefore high exchange rates will have a lesser impact on demand.

A01=2 A02=2 A03=3 A04=2 (9)

3 b

Government intervention is the action of the government of a country ~~is~~ interfering in the activities of a business or industry, possibly ~~be~~ done through increased regulation.



Write the two digit question number *inside* the boxes next to the first line of your answer

## Answer

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It is argued that without government intervention, stakeholders would be exploited by businesses. Arguments that support this include the potential monopoly power over suppliers, consumers and employees, whereas arguments against include the existence of natural monopolies, or smaller firms not exploiting customers or suppliers. This essay will outline why government ~~the~~ intervention is not necessarily required to stop exploitation of stakeholders by businesses.

One way in which businesses can exploit their stakeholders is by having power over their suppliers. This is usually apparent in a monopoly, but is not ~~also~~ always. If a firm has power over their suppliers, then they can ~~often~~ usually get their raw materials for a cheaper price. This would work in the way of demanding a lower price for the raw materials, or threatening to move to another supplier if they do not give the lower prices. For example, McDonald's would have a huge amount of power over suppliers that supply the ingredients for their burgers, such as beef ~~is~~ and bread. They could threaten to move to another supplier if the beef and bread are not supplied for a low price, and the supplier would do so, so they do not lose an important customer. Therefore, ~~government~~ government intervention is required to stop businesses exploiting their stakeholders.

However, it is not so much the case in other ~~markets~~ markets that ~~many~~ firms





Write the two digit question number *inside* the boxes next to the first line of your answer

Answer

Leave blank

exploit their stakeholders. Very often, in markets where there is a high element of consumer choice, consumers are not exploited. ~~The~~ Consumers are not forced to pay high prices for goods and ~~services~~ services, as they can just look elsewhere ~~of~~ for cheaper goods. This is usually ~~the~~ the case in industries in monopolistic competition. An example of an industry ~~of~~ where consumers ~~can~~ can easily change to a different business, if the prices are too high, is the ~~life~~ insurance (particulary car insurance) industry. Price comparison websites, such as GoCompare make it easy to see ~~of~~ which firms are the best value for money, e.g. such as Admiral. The consumer is not exploited, as they can easily switch if prices are too high. Therefore government intervention is not required.

Another way in which firms can exploit their stakeholders is by ~~have~~ having power over consumers. This is where consumers are exploited by a single supplier or producer of a good, and must pay a high price, as there are no alternatives. An example is Samsung. Samsung produce the leading phone glass, called 'gorilla glass', for phones, and other smartphone companies buy it from Samsung. As Samsung is the only supplier of 'gorilla glass', they exploit their customers, such as Apple, and ~~force~~ force them to pay high prices for the glass. Therefore government intervention is ~~not~~ required.

→



Another example of a stakeholder is employees. ~~The same~~ In some markets, employees are not at all exploited by the firms they work for. This is especially apparent in the airline industry, where firms such as Ryanair have suffered from pilot walkouts, and had flights grounded. This is because pilots are skilled workers, and have power over their employees, ~~as~~ as they are the only people who can fly the planes. <sup>Gov't intervention not required.</sup>

Overall, government intervention is not always necessary to stop exploitation of a business' stakeholders. In some industries, consumer choice, trade unions, and employee power mean there is no exploitation. However, in other industries, usually monopolies, consumers can be exploited by a ~~so~~ single producer, or firms can ~~have~~ have power over suppliers. Therefore, the need for government intervention to prevent exploitation of stakeholders by businesses varies, depending on the industry.

AD1 = 4 ✓ AD4 = 5 ✓  
AD3 = 5 ✓ (14) ✓

3 a Cinemas can develop into oligopolies, due to offering more differentiated products and services to consumers, as well ~~as~~ as having a much higher demand than a butcher's shop. Cinemas are also more able to compete on non-price competition, by offering perks a butcher's is unable to.

A butcher's usually ~~is~~ develops into monopolistic competition, because of the



Write the two digit question number *inside* the boxes next to the first line of your answer

### Answer

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products they offer being ~~so~~ very similar. This makes it harder to compete, especially on price, as most have similar suppliers.

~~If so~~

Overall, cinemas can develop into disjunctives, as they offer more differentiated prices and products to ~~butchers~~, butchers', ~~as well as~~ as well as having a greater ability to compete on non-price competition. Another reason is the much higher demand that cinemas have to butchers'.

$$A01 = 1 ✓$$

$$A02 = 0$$

$$A03 = 1 ✓$$



