Script Marks

Centre Number : 64395	Date Generated : 08/07/2022 03:44
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Candidate Name	Candidate Number	Total Marks
		64

Item	Mark	Comment
01	5	
02	10	
03	9	
04	8	
05	10	
21	10	
22	12	
31	0	
32	0	
41	0	
42	0	
Total	**64**	

64/80 = 80%

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

Answer

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0 1

a) Nestlé's environmental damage consists of: using palm oil in production causing deforestation and heavy use of plastic packaging.
Government intervention is when the government has to take action in a market if there is poor practice or negative externalities to society.
The government could introduce a ban of ~~palm oil~~ products using palm oil in production in the UK. This would have a positive impact on reducing nestlé's environmental damage as it means they can no longer sell their products containing palm oil in the UK. Nestlé is well established in the UK and even has manufacturing plants based here - this means they would have a big shock and a large impact on their sales. The aim of this is that the shock to their sales is big enough for Nestlé to improve / adapt their production methods in order to become more environmentally friendly so their products can again be sold in the UK.
Pressure groups are people that come together to create awareness for a business' bad practice, in this case environmental damage, with the aim of forcing the business to fix this - pressure groups often go to extreme measures to acheive their aim.
Pressure groups can address the issue of heavy plastic use in packaging by giving Nestle bad PR in social media and threatening them. If ~~the~~ Nestlé's reputation is on the line, and the pressure group's methods are effective it will lead to a large reduction in Nestlé's sales - the reduction in sales then acts as a signal to Nestlé that in order to gain back that sales revenue, they need to act in a more environmentally friendly maner and reduce plastic used in packaging (for example).

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Answer

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02

AO1 1 AO2 1 AO3 3

b) Multinational companies are those who operate in multiple countries. (MNC's)
MNC's can significantly increase employment levels in the countries in which they operate in. for example introducing a manufacturing factory in Brazil. It is especially beneficial for developing countries like Brazil who origionally had low levels of employment. Manufacturing companies often choose to operate in developing countries because of the lower labour costs. Opening up a large factory in a country will require lots of the locals needed to be employed to work there, therefore increasing employment. ~~Not only doe~~ Well established ~~countries~~ companies such as Nestle may actually ~~charge~~ pay a higher wage rate than the going rate in that country because labour costs there are still far lower than in developed countries. Not only does this benefit the workers and people in that country but it also leads to increased business activity as people have higher incomes to spend in the economy – leading to economic growth in that country.
However, this may only benefit one industry of workers, causing one sector to be better off than other sectors which do not have the same skillset. This could lead to social unrest in that country and inequality. Also, higher wages / incomes ~~may~~ will increase growth in that country, with growth comes higher prices as demand for all products in the country increases, pushing price levels up and causing inflation which will leave the people not benefiting from employment and higher wages worse off as they have less 'real income' as prices rise against their wage. →

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Answer

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As well as this, MNC's operating in different countries leads to a more competitive market. This is because it introduces another firm into the market which means these firms have to compete in order to gain market share or increase sales. Increased competition has a positive impact on the countries in which they operate as it means businesses have to find ways of being more efficient at producing/operating their business. This is beneficial because it encourages domestic businesses to improve efficiency and ~~as~~ in ~~a resu~~ order to ~~be~~ be able to lower their prices and gain market share against competitors. Locals in that country will benefit from lower prices as a result of increased efficiency and lower costs of production of firms.

However, ~~the~~ a multi-national company may start to operate in a country with no other competitors - if there are no competitors, then the argument above is irrelevant. furthermore, there is always the risk that firms may not pass on lower costs of production as lower prices to customers. As well as this, MNC's may lead to smaller firms having to shut down as they cannot compete - therefore worsening the business environment in that country. This gives the MNC monopoly power which ~~is~~ will ~~cause~~ have negative effects in the long-run such as significant increases in prices. ~~which~~

Overall, I think MNC's have a positive impact on countries in which they operate ~~have~~ as they ~~strive~~ stimulate innovation, however it depends on how much the MNC can benefit from Economies of scale and gain competitive advantage.

AO1 1 AO3 5 AO4 4

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

owners across shareholders?

Answer

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c) Innovation is when an idea or production method that already exists is improved.
~~…~~ Nestle has carried out Research and development (R&D) in ~~…~~ Africa, for example, to meet the tastes of customers in Africa - this is also called ~~glocalisation~~ glocalisation. This effects customers in that region as they can benefit from buying products they enjoy and potentially new products they have never seen before. Not only does this benefit customers but it also effects the business as Nestlé will benefit from increased sales revenue and profit which can be given to shareholders as a dividend. Shareholders will be happy about this innovation as ~~…~~ they seek high dividends.
However it will ~~take~~ only be a benefit in the long-run as there are high initial costs for research and development - it can take years. The initial investment also needs funding, this may mean shareholders get a lower dividend prior to this in order to save up profits to invest. Having a low dividend can negatively impact Nestle's share price which may make it hard to raise the finances to do so.
Often employees benefit from innovation and R&D as it may give them a sense of pride working for a business that is improving and using innovation to gain a strong brand identity across the globe, which Nestle are doing. Having workers that feel proud to work for a company often results in higher staff morale and therefore higher productivity - which improves the quality of goods ~~…~~ that the customers are recieving - beneficial to customers and owners.

→

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Answer

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However, R&D is often investment into new technology that can be used in production. Nestlé may invest in machinery to farm their coffee beans instead of humans as it may be more efficient. As a result of this, workers jobs are at risk, furthermore, if workers feel uncertain about the security of their job then they may become de-motivated and work less hard.

Suppliers also benefit from R&D and Innovation as they develop their products into new markets. They may benefit from increased sales as the business grows and increases output due to the R&D taken place to operate in ~~new~~ more countries. OR, when glocalising their products, suppliers of the ingredients such as wasabi producers will benefit as they are gaining a customer that they didn't have before.
One disadvantage to suppliers from ~~grow~~ increased innovation leading to higher output is that Nestlé may ask for bulk discounts to enable them to benefit from purchasing economies of scale. This means that their profit per unit goes down.

AO1 2
AO4 3
AO2 2
AO3 2

D) Nestle's opportunities are: Africa and China developing a taste for chocolate (they currently have a very low consumption rate), and the fact they are the world's largest food and drinks company - containing a wide product portfolio. However it's threats are strong competition ~~from~~ companies like cadbury, and problematic supply chains in Africa, and the increasing demand for sustainably produced goods.

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Answer comp policy

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The opportunity of ~~a~~ countries like Africa and China developing a desire for chocolate can be managed by increasing sales in these areas. Due to the increasing taste, Nestle knows that there will be some demand for their product in these countries. They also know that demand will risy meaning there is an opportunity to grow and become established in these places. They need to ensure that they fully research the market so they don't waste time and money launching a product in a market that won't enjoy it - therefore I reccomend carrying out glocalisation which they successfully did in Japan. If they manage to successfully introduce Nestlé into Africa and China then they are able to spread their risk - if one market is ~~has~~ struggling, then Nestle can spread the risk as they have many other markets providing them with an income to cover the costs of the one struggling market.

Nestlé can address the threat of competition of cadbury by using methods to further increase their market share against them and potentially strive for monopoly power in the UK. Cadbury complained about nestle's request for a trademark on the 4 bar kit kat. Nestlé could ~~e~~ take advantage of their economies of scale from being the largest food and drinks company in the world by lowering their prices in the UK. This will increase demand for Nestle as consumers will by from Nestlé instead of cadbury due to lower prices. If Nestle can sustain this long enough to force cadbury to close down then they have potential to gain monopoly power as that is their largest competitor out the way. They could also

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Answer

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address this threat by using external growth such as a merger or take over. This will eliminate Cadbury as a competitor, enabling them to share ideas and grow.

However, cadbury may retaliate to this and they could also say no to the merger/takeover. External growth like that is a shock to employees as there ~~to~~ will be lots of changes in how the business operates day to day. Furthermore the Competition and Markets Authority may prevent this from happening as Nestlé could gain too much market power and this is risky as it could lead to customers being exploited in the long run, and small businesses.

AO1 2 AO2 2 AO3 2 AO4 2

05

e). Inflation is a general increase in the price level of an economy. Inflation in the UK has fluctuated for the past decade, during this time, wage growth inflation has seen a stable increase in recent years. The fact that wages in 2019 growth was 3.8% and inflation was 1.9% shows that wage~~s~~ ~~are~~ inflation is growing higher than proportion to inflation in the economy. This affects Nestlé as they will have higher costs of labour in the UK. Also, the fluctuating inflation rates means that there is some uncertainty in the UK. Uncertainty makes it difficult for firms to predict sales and make decisions. ~~The~~

However, inflation is still increasing, just the rate at which it does so is fluctuating. This may be due to a general rise in the costs of production

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Answer

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in the Uk. As a result nestle may choose to look at replacing labour with capital machinery as one way of battling wage inflation. AND they could benefit from the lower cost of production to lower their prices in a time where all other firms prices are rising - gaining demand and market share.

However, Nestlé doesn't use much labour in the UK as it is a manufacturer and already uses mainly machinery to produce it's chocolate - so it will not be largely affected by the wage rate inflation. Secondly, reducing workers means they have to pay redundancies which they could be using the money elsewhere in the business. Capital machinery has high initial costs so they would only see the benefit in the long run, and their cash flow will struggle in the short run - meaning they may struggle to pay suppliers, leading to ~~problem~~ suppliers being unwilling to supply and therefore harming the reputation of Nestlé from not being able to meet demands.

Exchange rates are the value of one currency against another. The UK has a stronger currency then the Euro (€) and the dollar ($). This means that when nestle is buying supplies from abroad, it can buy more with the pound(£), therefore importing supplies of ~~coff~~ cocoa beans e.t.c. is relatively cheap. However Nestlé ~~is~~ also sells goods abroad, ~~mean~~ having a strong pound (high ~~interest~~ exchange rate) makes ~~the~~ UK's goods seem more expensive to other countries and therefore demand for nestle's exports is low. However, Nestlé relies heavily from imported raw materials so having a strong pound is beneficial to them as they can buy relatively cheap imports, lowering their costs of production.

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

Answer

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Unemployment is the number of people who are without a job that are willing and able to work. Over time in the UK, unemployment has fallen - however less and less of these workers are migrants - migrants are usually willing to work for lower wages than ~~peop~~ british people as they are from countries with generally lower wage rates. Having less immigrant workers means Nestlé may have to increase wages in order to still have people wanting to work for them. Higher wages will lead to higher costs of production and lower profits. Nestle is affected by the national minimum wage as they cannot pay too low wages (~~How they~~ lower than the NMW). However, Nestlé may not be too affected by this as in the UK they are mainly just manufacturing their goods and distributing it to retailers, therefore they don't hire that many workers as they don't have any direct Nestle stores/outlest for example.

AO1 2 AO2 2 AO3 3 AO4 3

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

Answer

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competition.

0 2 a) The single European currency is known as the Euro (€), countries that use the euro are part of the 'eurozone'. ~~The UK has not be~~ The UK did not take on the euro when in the EU. The purpose of a single currency was to create monetary union.

Having a single currency means there are no exchange rates between member countries and they all share the same interest rates controlled by the european bank. The fact there are no exchange rates between countries means that manufacturers can trade freely e.g. they can buy supplies and sell their finished product between member states without any additional costs, just as if it was selling and buying from its domestic market. This means that when importing supplies from abroad they have no tariff or exchange rate - they can import goods from the eurozone cheaply. Secondly they have no tariffs when exporting their ~~sup~~ products abroad - leading to lower costs of production which leaves them with higher retained profit that can be reinvested into the business.
As well as this, they have access to a larger market, meaning their sales are dramatically increased due to the ease of trade between members. Having a large market and increased sales means that they are producing more output. Economies of scale can be gained from having high output e.g. technological - they can afford better machinery to lower costs, or purchasing - they can negotiate bulk buying discounts from suppliers. Lower costs of production increases their competitiveness on the international market.

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Answer

Another way manufactures can benefit is from increased competition, it may not be percieved as positive initially however it incentivises manufacturing firms to become more efficient in their production or increase their quality in order to gain a USP against competitors, giving a reason for retailers to buy their goods instead of other firms. Because the whole eurozone acts as one market, they have to treat inter-national competitors as if they are domestic competitors.

AO2 2

AO1 4

AO3 2

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

Answer

not if no export / importing business ex rates

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b) free-trade is when there are lower or eliminated barriers to trade e.g. tariffs/quotas between countries - wether that is within a trading bloc or with the whole globe. Protectionism is when a government imposes tariffs and quotas to reduce the amount of international trade, usually with the purpose of 'protecting' the UK economy from any leakages and outflows of money. In this essay I will be discussing wether governments operating ~~One ong~~ in a free trade policy will offer more opportunities to UK businesses than protectionism through the view-points of: ~~Access to labour~~ competition, market size & choice, and small businesses in the UK.

Free trade means countries have good connections and relationships between each other. It means that UK firms are able to access a wide market for people demanding our goods & services. It allows UK firms to sell ~~and~~ by products from foreign firms with low/no extra costs other than the exchange rate. They have the opportunity to buy raw materials ~~for cheaper~~ from countries that can provide them cheaper than UK firms can provide them, therefore reducing costs for UK firms, enabling them to be more competitive internationally in the long run. As well as this. The UK can benefit from buying goods such as exotic fruits from Africa that we cannot grow ~~in~~ in our own country. This means that UK businesses have higher opportunities as they have more choice of suppliers and a higher range of supplies to offer customers more choice and lower costs. The opportunity of this is that UK firms are able to grow not only domestically but also internationally as they have access to buyers all over the globe, ~~th~~ higher profits, and greater choice. Having a higher choice for UK customers →

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Substitutes? Domestic market saturated?
tertiary UK.
diversity? small firms

Answer

such as importing exotic fruit from abroad may mean that UK customers have more brand loyalty to UK firms.
However it will only affect UK firms that are importers or exporters. ~~E~~ Industries such as hair-dressing will not benefit from free trade as they have no relevance with international markets.
Also, the ability to supply and buy goods abroad is limited by the exchange rate, it may be that the UK exchange rate is high (which it is currently) and therefore foreign countries will demand less UK goods as they seem more expensive.

Another reason why free trade provides more opportunities than protectionism is that ~~the UK has a higher access to labour~~ UK firms are subject to higher competition. UK goods are then part of the whole global market - meaning it faces competitors from everywhere, not just its home country. Higher competition means firms need ~~to~~ to fight to survive. This provides opportunities as firms are incentivised to innovate and increase efficiency to maintain demand and grow globally.
It also provides opportunities for the transfer of technology - this enables innovative ideas and technologies to be shared all between countries. This can further increase efficiency of UK firms and increase the ~~nee~~ number or new technologies available. firms can then gain ways of either lowering their cost or ways of developing new ideas to meet ~~ne~~ gaps in the market.
However, if there are no close substitutes globally for UK firms then the opportunities derived from competition will not occur. Furthermore, the UK is mainly a tertiary sector economy meaning we

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Answer

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largely provide services rather than manufacturing goods or extracting raw materials. Services are hard to transport abroad as things such as hair-dressers, people just use their local salon as they cannot import one from abroad. Also, with the transfer of technology and ideas, it leaves the UK at risk of losing it's diversity

One reason for protectionism is that it protects small firms in the UK being crowded out and forced to shut down due to large competitors from abroad taking over.

AO3 4

AO1 4

AO4 4