



GCE A LEVEL

A510U30-1



Z22-A510U30-1



Part of WJEC

**THURSDAY, 16 JUNE 2022 – AFTERNOON**

**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. Do not use gel pen or correction fluid.

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.

Write the question number in the two boxes in the left-hand margin at the start of each answer,

for example 

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Leave at least two line spaces between each answer.

**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.

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Read the information below and answer the questions that follow.

### Background

Nestlé is the world's largest food and drinks company. In 1904, Nestlé began selling chocolate and later, in 1938, extended its product range by introducing Nescafé, a powdered extract of pure coffee.

Today, Nestlé has a wide food and drink portfolio covering products as diverse as Nespresso coffee, Häagen-Dazs ice cream, Felix pet food, and confectionary such as KitKat and Milkybar.

### Breaking new ground in Asia

Already established in the European and American markets, including a significant manufacturing base in the UK, Nestlé has turned its attention to Asia and Africa. Whilst chocolate consumption in the UK is 7.6 kg per person per year, in Japan this is 1.2 kg. In neighbouring China this is only 0.1 kg and in Africa the figure is even lower. However, these markets are now beginning to develop a desire for chocolate. To cater for this new demand, in 2019 Nestlé announced plans to open its first new factory in Japan for 25 years, the main output of which is KitKat.

Traditionally KitKat is made from milk chocolate but now many different flavours are proving popular in Asia. Flavours such as wasabi and green tea have helped KitKat sales in Japan grow significantly. The factory will focus on these more expensive versions of KitKat which are popular with tourists who have tripled their spending on confectionery in the past four years.

A Nestlé spokesperson said, "Over the past few years, Nestlé was able to demonstrate good growth in Japan despite a challenging environment. This good performance can be explained with our strategic focus on innovation and premium, for example with KitKat."

### Developments in Africa

Nestlé has significantly increased its investment in emerging markets such as Africa. It has spent more than \$850 m on new factories and warehouses in Africa, a move encouraged by African politicians. Nestlé has undertaken significant research and development in order to produce products to suit African tastes. However, progress in these markets could be problematic as the inability to supply more cocoa beans in the short-term to meet demand may increase the cost of chocolate production.

Moving into new geographical areas is not without its risks. As consumer behaviour, trade regulations and employment laws vary between countries it is important that Nestlé assess each option carefully as it moves into new areas.

## Environmental issues

Nestlé has always sourced raw materials such as cocoa beans, which are used in the production of chocolate, from Asia and Africa. Recently Nestlé has been criticised by Greenpeace and other pressure groups who blame the company for environmental damage created by its supply chain. This included sourcing products used in chocolate production such as palm oil from suppliers involved in cutting down areas of rainforest.

Environmental groups have targeted Nestlé for its heavy use of plastic packaging. Many businesses have committed to being more environmentally aware after concerns about plastic waste have increased worldwide. Nestlé has recognised that it uses 1.7 m tonnes of plastic packaging each year and has committed to phase out all non-recyclable plastics from its wrappers by 2025. Nestlé has already replaced plastic straws with paper alternatives.

## Protecting the brand

Despite external pressures, Nestlé has maintained a strong brand image including clear trademarks for its products. Recent attempts to trademark the shape of its four-fingered KitKat bar in the UK failed after Cadbury, its main competitor in the UK, complained. Nestlé claimed that the shape of the four finger KitKat was so unique, it should be protected by law. Despite achieving trademark status in countries including Germany and France, the UK courts refused the trademark claiming that the design was not sufficiently unique.

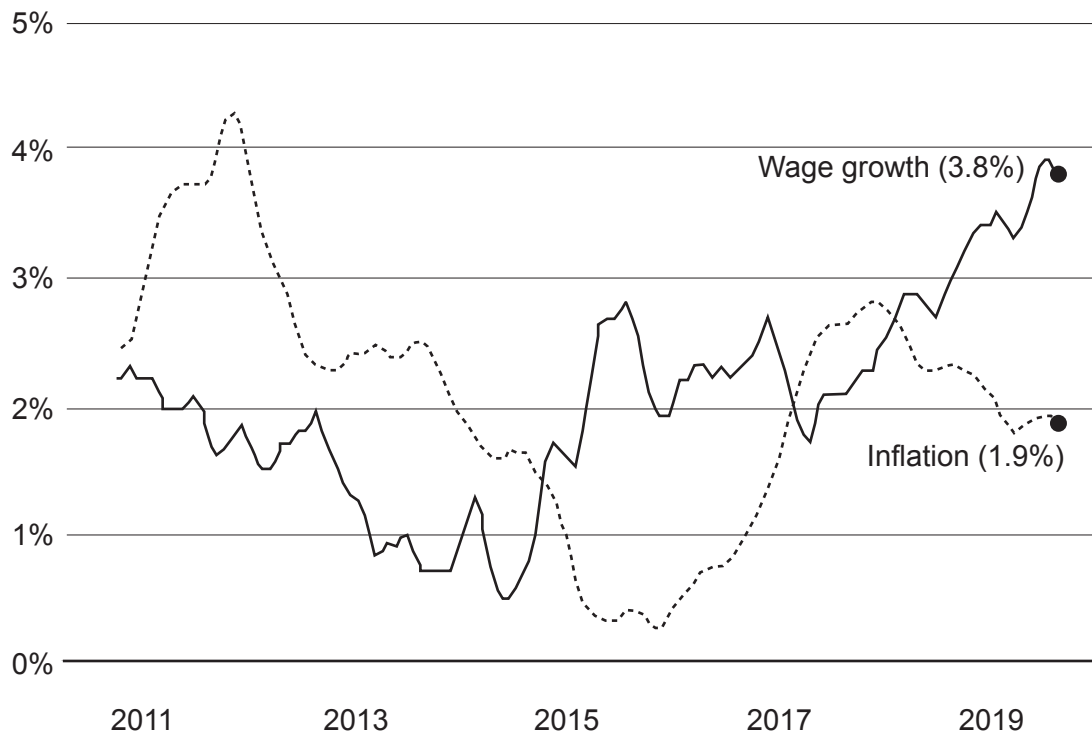
## Wake up and smell the coffee

Nestlé has been in the coffee market since the launch of Nescafé. Making advancements in the instant coffee market with Nespresso products, Nestlé's coffee interests have been strengthened by making an alliance with Starbucks. Nestlé paid \$7.1 bn in an arrangement which means Nespresso machine owners can buy Starbucks branded coffee pods for use in their own machines. Consumers can also find Starbucks coffee products more readily available in shops and online as Nestlé uses a vast distribution network to market Starbucks products worldwide. The Nestlé brand name will now appear alongside that of Starbucks, helping strengthen the market share of Nestlé in the US.

## Nestlé in the UK

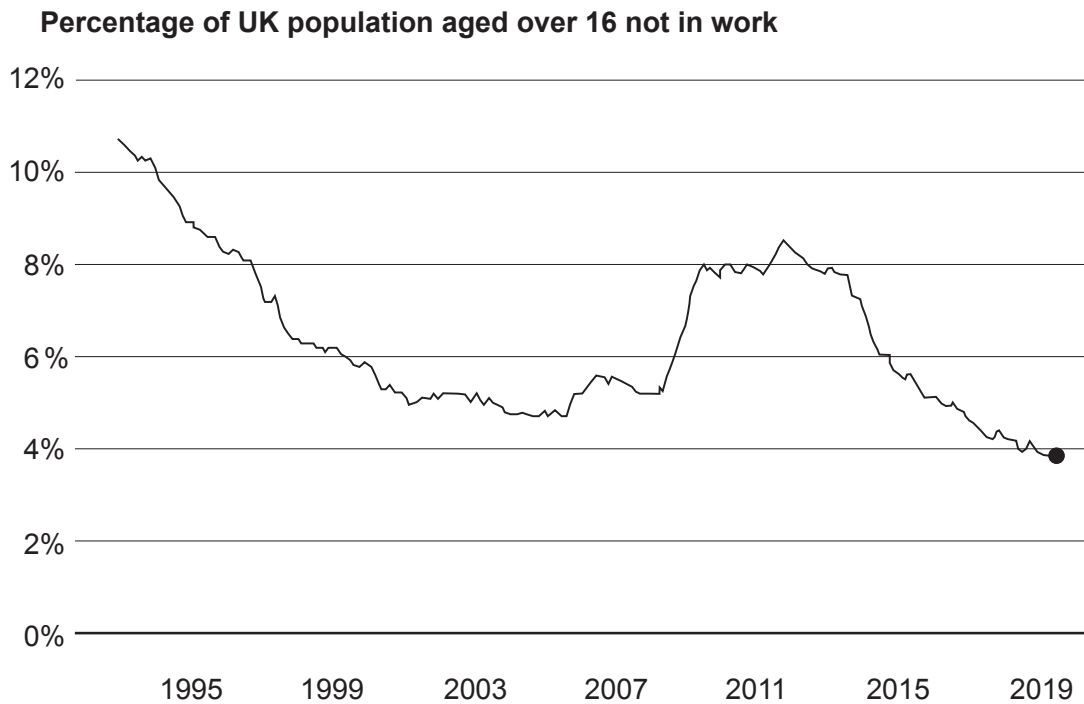
Inflation in the UK has varied for several years, often remaining close to the government target of 2%. UK wages have climbed steadily since 2017. Increases in the National Minimum Wage have been partially responsible for this and have attracted more people into work.

### Wages continue to outstrip inflation



UK unemployment has fallen steadily in recent years moving close to a 44-year low.

In addition, the quantity of migrant workers has reduced since the 2016 Brexit vote leading to a slower rate of growth in the UK population. With fewer immigrant workers coming to the UK employers will have to consider how to maintain output.



### The UK exchange rate

Since 2016, the exchange rate has weakened from around £1 being worth 1.4 euro to around 1.15 euro. This has had an impact on both import costs and demand for export products. For businesses such as Nestlé which are heavily reliant on imported raw materials, a number of strategic decisions will have to be considered.

- a)** Explain how the potential environmental costs of Nestlé's business activity can be affected by government intervention and pressure groups. [8]
- b)** Evaluate the impact multinational companies may have upon the countries in which they operate. [10]
- c)** Evaluate the effects of innovation and research and development upon the stakeholders of Nestlé. [10]
- d)** Assess how the opportunities and threats facing Nestlé may be managed. [10]
- e)** Discuss how inflation, unemployment and exchange rates may affect Nestlé's UK activities. [12]

**SECTION B**

Answer **one** question from this section.

<b>0</b>	<b>2</b>	<b>International trade</b>
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- a) Explain how the single European currency has been beneficial to manufacturing businesses in the Eurozone. [10]
- b) “Governments operating a free trade policy will offer more opportunities to UK businesses than protectionism.” Discuss this statement. [20]

<b>0</b>	<b>3</b>	<b>Operations</b>
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- a) Explain how small-scale independent retail businesses can survive in the market despite the existence of large retail businesses. [10]
- b) “Glocalisation is always the best strategy for businesses to achieve global growth.” Evaluate this statement. [20]

<b>0</b>	<b>4</b>	<b>Performance</b>
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- a) Explain ways in which a business using capital-intensive production may measure its workforce performance. [10]
- b) Consider the view that financial performance indicators are always a better measure of success than non-financial performance indicators. [20]

**END OF PAPER**