



**GCE A LEVEL**

1510U40-1



S23-1510U40-1

**WEDNESDAY, 7 JUNE 2023 – MORNING**

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

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

### **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, following the instructions on the front of the answer booklet.

Use both sides of the paper. Write only within the white areas of the booklet.

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.

1. Read the case study below and answer the questions that follow.

### McDonald's

McDonald's is one of the world's largest chains of fast-food restaurants. The company was started in 1948 by brothers Maurice and Richard McDonald in California, USA. They were able to grow the business by selling quality products in large quantities for low prices, about half the price charged by competing restaurants. However, it wasn't until Ray Kroc joined the brothers that it grew beyond the USA. He introduced the concept of franchising. On April 15, 1955, the first McDonald's franchise was opened.

### Global strategy

McDonald's currently operates in over 100 countries and has well over 30 000 restaurants, with approximately 210 000 workers serving more than 69 million customers daily.

After a few setbacks in certain countries, McDonald's adapted its standard product range to customise its menu to meet local needs. For example, in India McDonald's uses chicken instead of pork and beef and has also introduced the McAloo Tikki, which is made with a combination of potato and peas and Indian spices. McDonald's has also adapted its activities to fit in with Japanese culture, where the menu is changed to include the Teriyaki burger, a teriyaki pork patty with teriyaki and sweet lemon sauce. In Saudi Arabia the restaurants close 5 times a day for Muslim prayers, with 50% of products manufactured locally. Even within the UK, local tastes are accounted for with 100% British Beef used in all products containing beef.

The main growth strategy McDonald's uses is franchising. Franchisees get assistance in terms of managerial know-how and supplies are cheaper by using the company's supply chain. McDonald's earns revenues from its franchisees in the form of a monthly fee depending on the restaurant's sales. Also, unlike most franchises, McDonald's buys the properties and then rents them to franchisees and as a result the franchisor receives a monthly rent.

The success of the franchising model depends on certain factors. Firstly, McDonald's standardises operations across its franchises to ensure a standard McDonald's experience anywhere in the world. Secondly, McDonald's is also one of the largest advertisers within the fast-food industry. By having an integrated brand promotion across the world, McDonald's ensures brand recognition and a consistent image across the countries and markets in which it operates.

### 30 Corporate social responsibility (CSR)

According to McDonald's website, McDonald's has a CSR strategy which focusses on:

- 35 • **Nutrition and well-being** – McDonald's goal is to continuously improve its product range and increase the number and variety of new options that deliver the taste and balance customers seek. In its restaurants McDonald's has improved the way that it gives information to customers so that customers can be aware of the nutritional information of its food. For example, menus display the amount of calories in each food option. McDonald's pays particular attention to the products offered to children and how the business communicates to both children and their parents. For example, parents can now swap fries for fruit bags in Happy Meals.
- 40 • **Environmental responsibility** – When it comes to the environment "Less is more" – less energy, fewer emissions, and less waste. McDonald's seeks to reduce its environmental impact for both the benefit of the planet and the business's long-term financial success. McDonald's aims to use less and spend less through exploring ways to reduce its environmental impact. For example, McDonald's recycles the cardboard boxes used in more than 89% of restaurants and more than 85% of packaging used is made from renewable resources. The business is also finding ways to increase energy efficiency in restaurants in order to save money and reduce environmental impacts. For example, low-energy LED light bulbs, energy-saving equipment and waterless urinals are used in restaurants, and used cooking oil is recycled into biodiesel to fuel more than 45 half of its delivery trucks. In 2021 McDonald's introduced its vegan burger, the McPlant.
- 50 • **Employee experience** – The continued success of McDonald's requires it to develop and retain a diverse, engaged and talented workforce. In January 2018, McDonald's gave its workers a £0.40 per hour pay rise ensuring wages at the fast-food chain were £8.00 an hour, keeping it slightly above the official UK National Minimum Wage, at that time.
- 55 • **Community** – McDonald's is committed to using its influence, people and profits to create a lasting impact on the communities in which it operates. McDonald's makes a difference through the support of Ronald McDonald House Charities and its children's programmes – providing free family accommodation at NHS hospitals allowing families to be close to children whilst they are in hospital. It also makes a difference through local, regional and global partnerships. At a local level, McDonald's helps junior and adult football teams by providing new kits and equipment for them to use. McDonald's also made a difference through sponsoring the Great British Spring Clean in 2019, a national campaign to keep Britain tidy and free from litter.

65 However, in January 2018, The Telegraph reported that only half of McDonald's packaging is made from sustainable materials and only 10% of its restaurants recycle.

In April 2019, The Guardian reported that the McDonald's Monopoly promotion was being attacked by health campaigners for putting profits before people's health. The article argued that the Monopoly lottery game encourages people to buy larger portions and offers unhealthy food prizes such as sugary drinks, desserts and ice creams.

In addition, as one of the world's largest private employers, McDonald's still faced numerous calls to increase wages. Despite an above inflation pay rise, some argue that McDonald's could afford to pay workers at least the living wage which is above the National Minimum Wage but not a legal requirement.

75 According to The Sunday Times in October 2018, McDonald's were able to reduce the amount of corporation tax it had to pay to the UK Government through the use of its franchise agreement with its parent company (McDonald's UK is a subsidiary of McDonald's Corporation in the US). In the UK, McDonald's paid corporation tax on £341 million profit instead of £483 million profit.

## 80 Economic factors

Before the economic recession of 2007, The Bank of England base interest rate tended to fluctuate between 3.5% and 5.5%. However, between 2007 and 2017 the base interest rate was historically low at between 0.25% and 0.5%. Since 2018, the interest rate had been at 0.75% and some experts predicted it to gradually rise with expected economic growth. In 2022  
 85 The Bank of England raised the base interest rate on a number of occasions to help fight increasing inflation. In August 2022 it was 1.75% and was raised to 3% in November 2022.

In 2011, the rate of Value Added Tax (VAT) increased from 17.5% to 20%. This is charged on the purchase of most goods and services. Customers buying from McDonald's have to pay 20% VAT. However, the UK Government has the power to change the rate of VAT depending  
 90 on the government's priorities.

The UK Government set the corporation tax rate for profits at 19% between 2017 and 2022.

On the 6 April 2018, a new sugar tax was introduced in the UK. This meant that manufacturers of fizzy drinks and soft drinks were taxed depending on the amount of sugar in their drinks. This affected drinks manufacturers such as Coca-Cola and it meant that McDonald's faced  
 95 increased costs when selling Coca-Cola products in its restaurants. As a result, McDonald's increased the price of these drinks, with a rise of 12p for a medium-sized drink and 14p for a large drink. McDonald's believed that the price increase was reflecting the purpose of the new tax which was to encourage customers to choose healthier options which it has within its product range such as Sprite Zero and bottled water.

100 Fuel duty is a tax on petrol and diesel fuel. This can have a significant impact on the cost of logistics for a business such as McDonald's. In 2022 the UK Government announced a reduction, for 12 months, on fuel duty.

In the UK, the target for inflation is 2%. However, inflation can fluctuate. For example, in 2009 the UK experienced a period of deflation, with a rate of -0.5% but this then rose to 5.2% in  
 105 2011. It then continued to fluctuate, with the rate of inflation being 3.1% in 2017, falling to 1.5% in 2019 and rising to 2.8% in 2021. During 2022 the inflation rate steadily increased and in August 2022 it hit 10.1%, with many experts predicting it will rise further.

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| 1 | 1 | Explain the reasons why McDonald's adapts its products and operations to reflect local needs.   | [6]  |
| 1 | 2 | Evaluate the use of franchising as a form of growth.  | [8]  |
| 1 | 3 | Explain how different areas of UK legislation impact on the operations of McDonald's.   | [8]  |
| 1 | 4 | Evaluate the impact of McDonald's corporate social responsibility (CSR) strategy on the business, the environment and communities in which it operates. | [14] |
| 1 | 5 | Consider how changes in interest rates, taxation and inflation will affect McDonald's and its stakeholders.   | [14] |

**SECTION B**

Answer **one** question from this section.

Answer **either** question 2 ( 

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**2. Decision-making**

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 Describe the difference between strategic decisions and operational decisions made by a national retail business. [10]

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 Evaluate the view that using quantitative decision-making models will guarantee the success of a business. [20]

**3. Technological factors**

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 Describe how transport providers such as taxis, trains, aeroplanes and buses may have used new technology to improve their services. [10]

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 Evaluate the view that the most successful businesses are those that invest large amounts of capital into new technology. [20]

**4. International trade**

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 Describe the challenges to a large UK-based clothes manufacturer when developing products for international markets. [10]

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 To what extent do you agree that globalisation has been of benefit to all UK businesses and their stakeholders? [20]

**END OF PAPER**

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