4.1 Multinationals and Global Market Entry Strategies

Total Marks

AQA 7132 · Calculators not allowed · about 55 minutes · Write-in edition

Name: _____ Date: ____ / ____ / _____

Answer ALL questions. Use full sentences for the three extended questions (the last three). Show any simple working for calculations.

1 Identify two factors that influence where a multinational locates production overseas.

(Total for Question 1 is 2 marks)

2 State one cultural factor a multinational should consider before entering a foreign market.

(Total for Question 2 is 1 mark)

3 Explain one disadvantage to a multinational of using licensing to enter an overseas market.

(Total for Question 3 is 3 marks)

4 Scenario for questions 4 and 5: Kestrel Foods, a mid-sized UK food brand, wants to enter Brazil. Kestrel can either (A) export products to local supermarkets and appoint a local distributor, or (B) form a joint venture with a Brazilian food firm that already has local distribution and manufacturing capacity.

Assess the suitability of exporting via a distributor (option A) for Kestrel Foods entering Brazil. In your answer, consider costs, speed of entry, control and risks for Kestrel. Write a focused answer using the scenario.

(Total for Question 4 is 8 marks)

5 Using the same Kestrel Foods in Brazil scenario, assess the suitability of forming a joint venture with a Brazilian food firm (option B). In your answer, consider costs, access to local knowledge and capacity, control and risks for Kestrel. Use the scenario in your reasoning.

(Total for Question 5 is 8 marks)

6 Evaluate the impact of multinational corporations on a host country, using economic, cultural and ethical considerations. In your answer, show knowledge, apply to a host country context, analyse consequences and evaluate the net effect. You should consider both positive and negative impacts and reach a reasoned judgement. Use real-world style examples where helpful.

(Total for Question 6 is 16 marks)

Mark scheme · 4.1 Multinationals and Global Market Entry Strategies

Question 1

labour costs **B1**

infrastructure or political stability or proximity to markets or trade barriers (any one listed as second) **B1**

Answer: Any two, e.g. labour costs and infrastructure.

Question 2

any one valid cultural factor, e.g. language, consumer preferences, local customs or religious practices **B1**

Answer: Any one cultural factor, e.g. language differences, local consumer preferences, customs or religious practices.

Question 3

identifies a disadvantage, e.g. loss of control over the brand or technology **B1**

develops the point, e.g. the licensee may produce lower quality or use the technology improperly **B1**

links to an outcome, e.g. this can damage the multinational's reputation and reduce future sales **B1**

Answer: Licensing can lead to loss of control over the brand or technology because the licensee may produce lower quality or misuse the technology, which can damage the multinational's reputation and reduce future sales.

Question 4

Level 1 Limited points about exporting with weak application to Kestrel Foods and little development. **1-3**

Level 2 Developed points applying to Kestrel Foods, considering some costs, control and risks, but not fully balanced. **4-6**

Level 3 Well developed, balanced assessment of exporting for Kestrel Foods, covering costs, speed, control and risks with clear application to the scenario. **7-8**

Indicative content:

- Exporting has lower initial capital expenditure, which suits a mid-sized firm cautious about investment in Brazil.
- Using a local distributor allows quick market access and leverages local knowledge, helping Kestrel sell to supermarkets faster.
- Exporting gives Kestrel more control over product formulation and brand than licensing, but less control than local production, since distributor handles local marketing and pricing.
- Costs include transport, tariffs and distributor margins which may raise final retail price and reduce profitability.
- Risks include exchange-rate fluctuations, trade barriers and potential problems with distributor performance or reliability.
- Conclusion might weigh speed and lower capital risk positively for Kestrel, but note potential long-term limits on control and higher per-unit costs compared with local production or a joint venture.

Question 5

Level 1 Limited points about joint ventures with weak application to Kestrel Foods and little development. **1-3**

Level 2 Developed points applying to Kestrel Foods, considering access to capacity and risks, but not fully balanced. **4-6**

Level 3 Well developed, balanced assessment of a joint venture for Kestrel Foods, covering costs, local knowledge, control and risks with clear application to the scenario. **7-8**

Indicative content:

- A joint venture can provide Kestrel with local manufacturing capacity, reducing transport costs and bypassing some trade barriers.
- Local partner knowledge of Brazilian consumer tastes and supermarket requirements speeds adaptation of products and market acceptance.
- Costs are higher upfront, since capital investment and integration are required, and returns are shared with the partner.
- Control is shared, which can be positive for local insight but may limit Kestrel's control over quality and strategic choices.
- Risks include cultural clashes, disagreements over strategy, and legal or political risks if the partner is weak or governance is poor.
- Conclusion might argue a joint venture is suitable if Kestrel wants deeper long-term presence and local capacity, but it requires readiness to invest and manage partnership risks.

Question 6

Level 1 Basic knowledge or assertions about multinationals with limited application, minimal analysis and no clear judgement. **1-4**

Level 2 Clear knowledge and some application to a host country context, with partial analysis of positive and negative impacts but limited evaluation. **5-8**

Level 3 Good knowledge, effective application and analysis of economic, cultural and ethical impacts, with a considered evaluation and an attempt at judgement. **9-12**

Level 4 Excellent knowledge and application, detailed analysis of multiple impacts across economic, cultural and ethical dimensions, and a well-balanced, justified judgement supported by evidence. **13-16**

Indicative content:

- Economic benefits: job creation, skills transfer and training, increased tax revenue and investment in local infrastructure, and potential boost to GDP.
- Economic costs: profit repatriation reduces local retained income, crowding out of local firms, dependence on a few multinationals, and potential exploitation of tax rules to minimise local tax.
- Cultural effects: positive cultural exchange, introduction of new products and business practices, and diffusion of management skills; negative effects include cultural homogenisation, loss of local firms and erosion of traditional industries or practices.
- Ethical effects: potential improvements in labour standards and corporate social responsibility, but also risks of low wages, poor working conditions, environmental damage and weak enforcement in some host countries.
- Role of government and institutions: effective regulation, local content rules and tax policy can maximise benefits and reduce harms; weak governance raises risks of exploitation.
- Evaluation might weigh short-term gains in employment and investment against longer-term issues like repatriation of profits and market domination, concluding that the net impact depends on host-country policies and the behaviour of specific multinationals.