

Please check the examination details below before entering your candidate information

Candidate surname

Other names

**Pearson Edexcel
Level 3 GCE**

Centre Number

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Candidate Number

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Friday 5 June 2020

Morning (Time: 2 hours)

Paper Reference **9BS0/03**

Business

Advanced

Paper 3: Investigating business in a competitive environment

You must have:
Insert (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- You may use a calculator.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

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Answer ALL questions.

SECTION A

Read the following extracts (A to D) before answering Question 1.

Write your answers in the spaces provided.

Extract A

UK's live entertainment industry revenue hits new highs in 2017

The West End, London debut of the hit Broadway musical Hamilton, mega concerts by U2 and Guns N' Roses and the return of Star Wars helped boost the UK's live entertainment sector to a record £17bn in revenues last year. Growth will continue this year as the UK's live entertainment economy – which ranges from cinema visits to attending music and arts festivals and live tours of TV shows including The X Factor – is forecast to surge by another £400m.

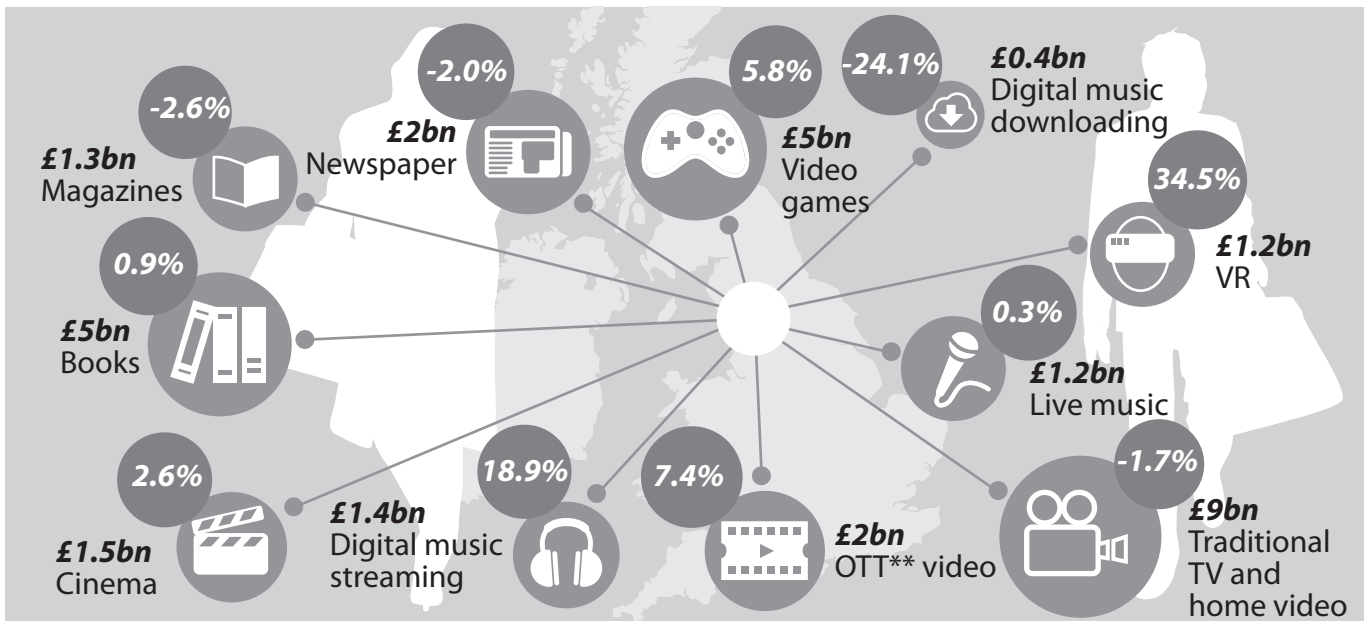
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Revenue from live performances, such as concerts or the theatre, reached £2.1bn last year and is expected to grow a further 7% in 2018, according to a report from Deloitte.

(Source: <https://www.theguardian.com/media/2018/jan/19/uks-live-entertainment-industry-hits-new-highs>)

Extract B

Forecast UK consumer spending habits in 2022*



*when compared to 2018

**OTT stands for 'over-the-top', the term used for the delivery of film and TV content through the internet with companies such as Netflix or Amazon Prime, without requiring users to subscribe to a traditional cable or satellite pay-TV service such as Sky or BT Vision.

(Source: <https://www.pwc.co.uk/industries/entertainment-media/insights/entertainment-media-outlook.html>)



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Extract C

ITV Chief: Now is last chance to build British challenger to Netflix

The new Chief Executive of ITV, Carolyn McCall, declared that building a UK subscription video-on-demand service is a priority in order to compete with the US-based streaming superpowers Netflix and Amazon.

Netflix's core US market is close to saturation, so its international markets are driving growth. UK viewers are flocking to the US giant: Netflix has almost 10 million UK subscribers, compared to Sky's 9.6 million pay-TV and Amazon Prime Video's 7.3 million subscribers. 5

McCall said 'to provide the depth and breadth of programmes for an ITV subscription video-on-demand service, programmes that were previously licensed to Netflix must instead be kept by ITV. This means no more deals such as licensing Love Island, the ITV2 reality TV show, to Netflix. 10

'The best chance of creating a viable rival to Netflix is for the UK's public service broadcasters (PSBs) to join forces'. However, she conceded that a joint venture between the publicly-listed ITV, the licence fee funded BBC and state-owned commercially funded Channel 4 – is proving difficult. 15

'We all have different ownership structures and we all have slightly different objectives.'

ITV has Britbox, a joint venture streaming service with the BBC. However, it is available only in the US. In 2007 the BBC, Channel 4 and ITV created the OTT service Kangaroo, but it was ultimately blocked by the UK competition regulator in 2009. 20

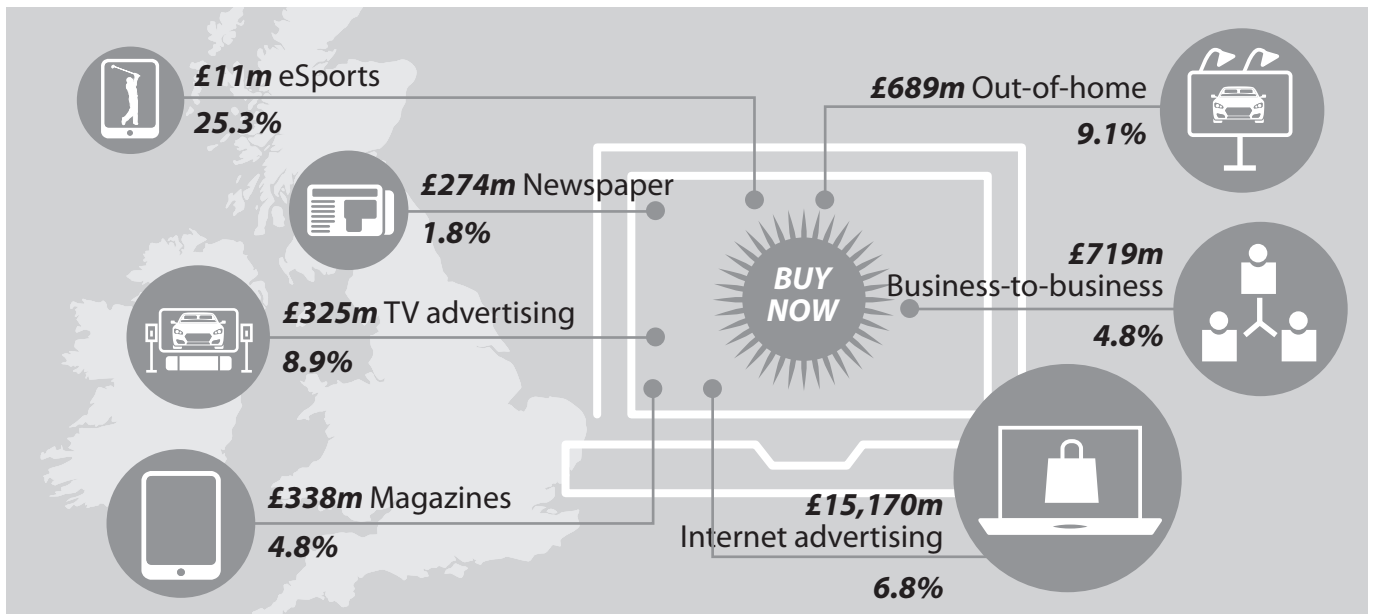
Netflix plans to raise \$2bn so it can invest in producing new programmes. The costs of its streaming services amount to \$30bn – higher than the annual revenue it expects to receive from its 130 million users in 190 countries across the world, with the US its largest market.

(Sources: <https://www.theguardian.com/business/2018/oct/21/itv-chief-now-is-last-chance-to-build-british-challenger-to-netflix?> and <https://www.theguardian.com/media/2018/oct/22/netflix-plans-to-raise-2bn-as-it-invests-in-new-content>)



Extract D

Forecast UK advertising expenditure in 2020*



*when compared to 2018.

(Source: <https://www.pwc.co.uk/industries/entertainment-media/insights/entertainment-media-outlook>)

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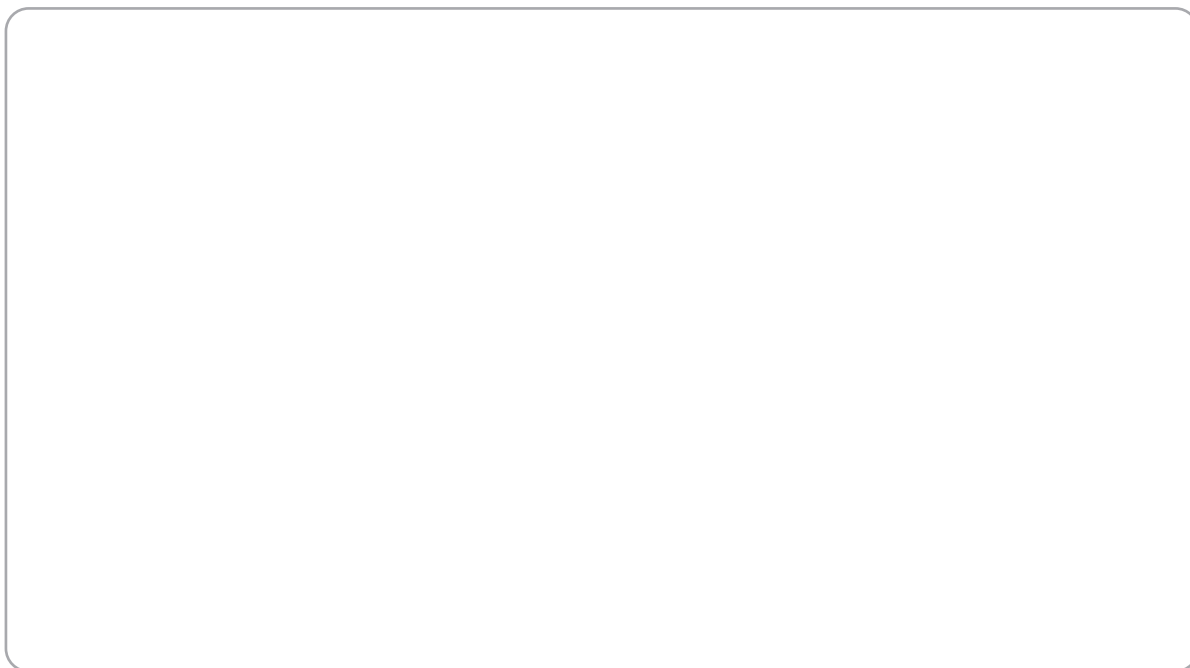
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1 (a) Using a supply and demand diagram, assess **two** reasons why live entertainment business revenues in the UK might have increased in 2017.

(8)



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Mark Maitland, Media and Entertainment Leader at PwC UK, suggested cinemas might make more use of opportunities to add value, such as providing luxury seats.

(b) Assess whether providing luxury seats is the best way for cinemas to increase added value.

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(c) Using the data in Extracts B and C, assess the extent to which saturated markets might stimulate a business such as Netflix to trade internationally.

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ITV could either join forces with the UK's other public broadcasters or operate on its own to offer a viable rival to Netflix for UK consumers.

(d) Using the data in Extracts A to D and your own business knowledge, evaluate these two options and recommend which **one** ITV should use to best rival Netflix.

(20)

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS



SECTION B

Read the following extracts (E to H) before answering Question 2.

Write your answers in the spaces provided.

Extract E

Derby Theatre

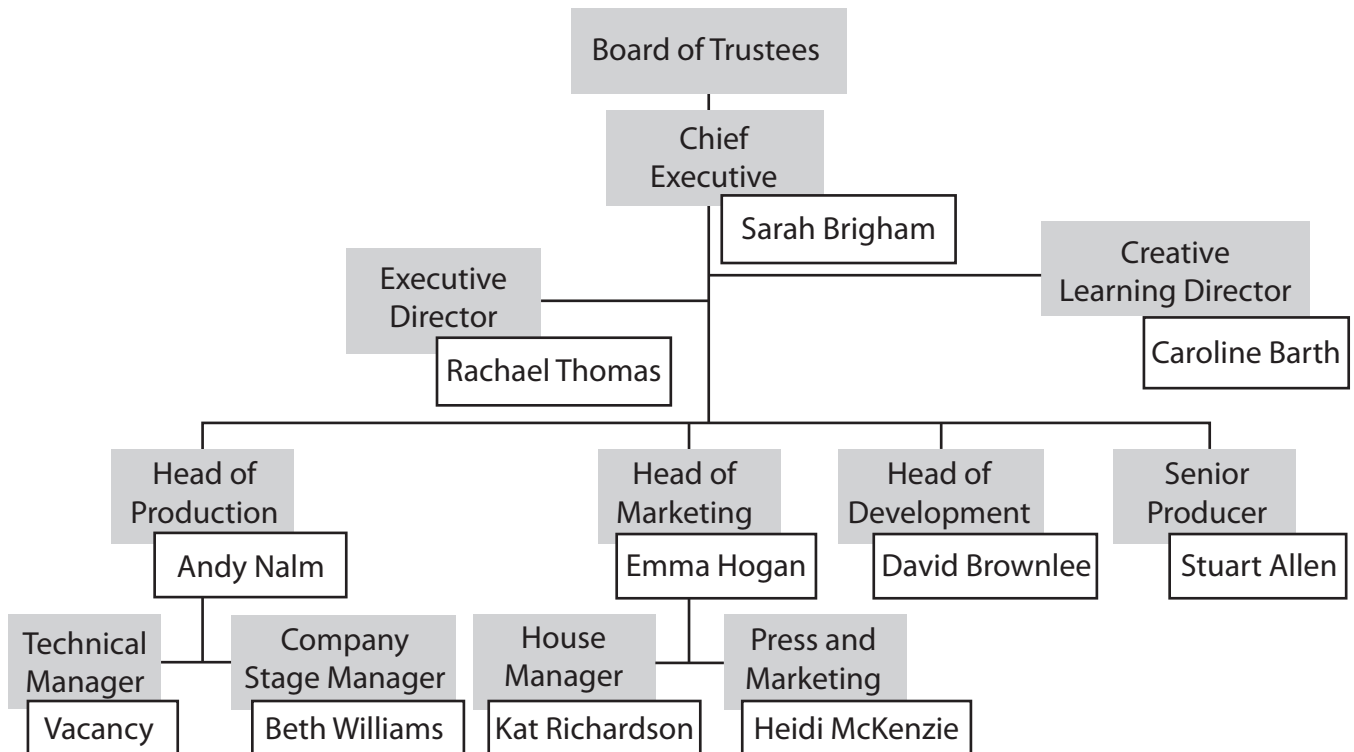
In 2008, what was the Derby Playhouse, seemed doomed to close. The childhood inspiration behind the remarkable success of Sir John Hurt, was kept afloat despite shrinking local council grants and low audiences. It became known as Derby Theatre, when rescued through a takeover by the University of Derby in 2012, thanks to the 'civic mindedness' of Professor John Coyne, CBE, the then Vice-Chancellor of the University. 5

Derby Theatre operates on a day-to-day basis mainly thanks to an annual £795,000 Arts Council grant paid by instalments every quarter. Box office incomes do vary throughout the year, depending on performances and the local competition from the Derby Live Arena and Derby's Guildhall. Derby Theatre's bar and catering revenues average between 50p and £3.50 per head, from audiences of up to 575. 10

(Sources: <https://www.derbytelegraph.co.uk/news/derby-news/made-derby-how-derby-playhouse-1576915> and interview with Rachael Thomas, Executive Director of Derby Theatre)

Extract F

Derby Theatre: Organisational structure, June 2018 (a section from*)



*Staffing at Derby Theatre totals 50 full-time equivalents and six freelance managers. Specialist management roles are often advertised through national media.

(Source: Rachael Thomas, Executive Director of Derby Theatre)



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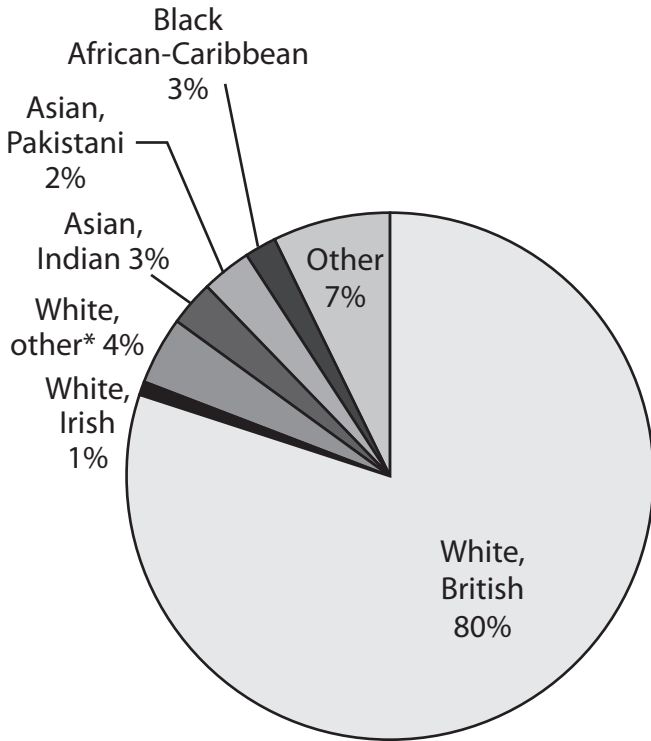
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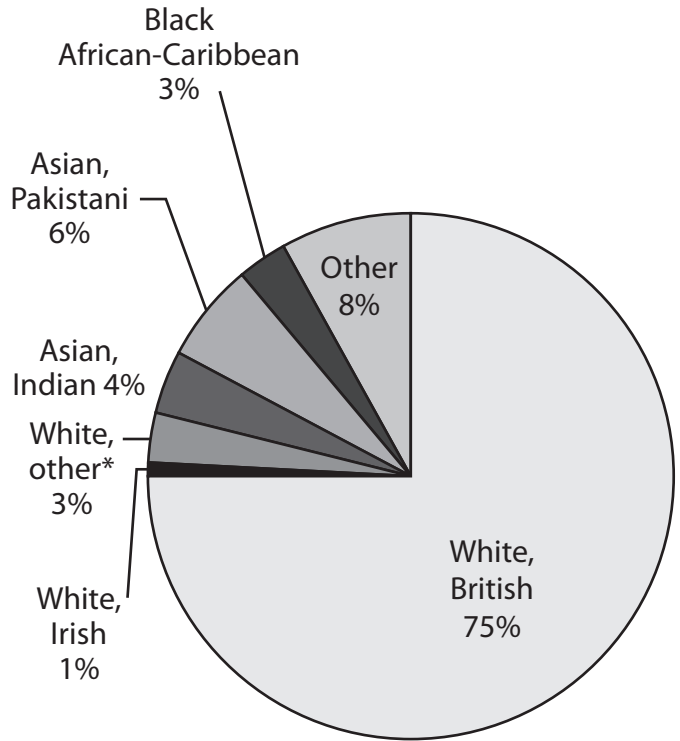
Extract G

Ethnicity profiles

UK's population 2011



Derby's population 2011



*Note: The 'White, other' ethnic group, which includes migrants from Eastern Europe, made up 3% of Derby's population in 2011, making it the third largest Black and Minority Ethnic group in the city. Between censuses, the Office for National Statistics publishes mid-year estimates. In 2016 they estimated that Derby's 'White, other' population had increased to 4.2%.

(Sources: Office of National Statistics, (KS201EW), Census 2011 and <https://www.derby.gov.uk/council-and-democracy/statistics-and-census-information/census-information/>)



Extract H**National Theatre (NT), London**

The NT makes world-class theatre for everyone that is entertaining, challenging and inspiring. It had 91% capacity in 2017–18, and over 30% of tickets cost £20 or less. NT had 10 shows on tour in 36 towns and cities across the UK. All this added up to 115 weeks-worth of performances, squeezed into one year.

5

Worldwide, NT's audience was 8 million in 2017–18, through live theatre and events, NT Live broadcasts, television and radio broadcasts, educational workshops and interactions with in-depth digital content.

Around 4,000 people worked at the NT in 2017–18 – from actors, to ushers, to scenic artists. It is one of the largest employers in London, with hundreds of skilled craftspeople, practitioners and artists.

10

The NT receives a regular Arts Council England grant of £16.7m each year, which allows it to take its work around the country, run educational workshops, protect low ticket prices, and to invest in the development of new work and world-leading artists.

UK Arts Council funding is increasingly being determined by criteria that encourages diverse programming to overcome the labelling of all theatres as 'white, middle-class institutions.'

15

Public funding for the Arts makes up just 0.05% of government spending and delivers a return of £5 in taxes for every £1 invested. This modest investment in the Arts is one of the reasons why the Creative Industries are the fastest growing part of the UK economy.

20

(Source: <https://www.nationaltheatre.org.uk/about-the-national-theatre/key-facts-and-figures>)



2 (a) Assess **two** ways Derby Theatre could improve its liquidity.

(8)

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(b) Assess the likely value of succession planning to Derby Theatre.

(10)

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(c) Assess the likely value to Derby Theatre of producing and staging shows that recognise the cultural diversity of Derby's population.

(12)

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Pre-theatre dining has been unpopular at Derby Theatre. Catering Consultant Andrew Dean has argued that a refurbishment of its cafe and kitchens is required.

In order to finance the £100 000 catering investment, Derby Theatre management is considering using either some of its £120 000 retained profit or a loan.

(d) Evaluate these two methods of finance and recommend which **one** might be most appropriate to finance the £100 000 catering investment at Derby Theatre.

(20)

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TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS



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Business

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Investigating business in a competitive environment

Context

This year the context is the market for entertainment and the private businesses operating in this market in the UK and/or internationally.

Research

To prepare for this year's context, you should research:

- Types of entertainment – both live and non-live, including drama, musicals, concerts and TV and video, OTT* video, music streaming.
- Businesses that operate to supply services in the entertainment market, e.g. cinemas, theatres, OTT media businesses, TV companies, ticketing agencies.
- Trends in this entertainment market over the last 20 years, including changes in supply and demand, investment, technology and business growth.
- The competitive environment and government policies affecting suppliers in the UK entertainment market.
- Marketing and promotions in the UK entertainment industry.
- Financing the UK entertainment industry.
- Human resource management in the UK entertainment industry.
- Influences on the global market for entertainment over the last 20 years, such as the technological change, culture, social trends, migration, changing costs and prices.

*OTT stands for 'over-the-top,' the term used for the delivery of film and TV content through the internet with companies such as Netflix or Amazon Prime, without requiring users to subscribe to a traditional cable or satellite pay-TV service such as Sky or BT Vision.