

Business decisions and strategy

Level: Pearson Edexcel Level 3 Advanced GCE

Subject: Business (9BS0)

Exam Board: Edexcel A level Business students for all boards

Topic: Business decisions and strategy

Type: Questionnaire

To be used by all students preparing for Pearson Edexcel Level 3
Advanced GCE Business (9BS0)

Questions

Q1.

Extract G

Toyota test drives a new hybrid

Toyota shareholders last week approved the issue of 50 million new shares - and not just any new shares.

The new 'Model AA' shares must be held for five years and cannot be sold earlier. Toyota will pay a guaranteed dividend that increases each year through the five-year period. At the end, shareholders can sell the shares back to the company at the price they paid, or convert them to ordinary shares.

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The idea, according to the company, is to raise \$4 billion from long-term investors, so that Toyota can invest in the car of the future. Applications for the shares were about 10 times more than the amount on offer. The firm's managers see this investment as a response to short-termism. Sheltered from some of the pressure to drive the share price up immediately, Toyota's managers will be able to look further ahead.

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Some business analysts have criticised these shares for giving managers too much protection from the demands of shareholders.

(Sources: adapted from © 2017 Bloomberg LP and Crain Communications, Inc)

Corporate timescales can be short-term or long-term.

Assess Toyota's decision to issue 'Model AA' shares as a means of raising finance.

(Total for question = 12 marks)

Q2.

Extract G

£75m investment at Cadbury

Mondelēz International and the Unite trade union are celebrating successful negotiations over a £75m modernisation to Cadbury's Birmingham factory. Over 200 people agreed to leave by voluntary redundancy by the end of 2016, with some redundancy packages worth in excess of £100 000. It should boost the Cadbury factory's efficiency when four 'state-of-the-art' production lines replace six outdated ones.

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The 650 remaining staff will develop extra skills with appropriate training provided, for which there will be a 2% pay increase. The investment should enable Cadbury to meet the growing consumer demand for Dairy Milk, Marvellous Creations and Oreo bars.

The table below shows the forecast returns for the first 5 years following the modernisation project.

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Year	Net cash flow (£m)	Discount factors at 10% discount rate
0	(75)	1.0
1	20	0.909
2	25	0.826
3	30	0.751
4	22	0.683
5	20	0.621

(Sources: adapted from © Guardian News and Media Limited 2014 and © 2017 Trinity Mirror Midlands)

Using the data in Extract G, the Net Present Value (NPV) and Payback, assess Mondelēz International's investment in Cadbury's modernisation.

(Total for question = 12 marks)

Q3.

Demand for healthy crisps grows

They may not be the healthiest snack, but potato crisps remain the UK's second most popular snack food. However, with healthier alternatives such as crisps made out of dried fruit becoming ever more popular, is the classic deep fried potato crisp under threat?

Market research organisation, Mintel, has stated that during the period of negative economic growth from 2008-2012, demand for UK potato crisps increased by 29%. However, a Mintel spokesperson highlighted that, 'at the end of the day crisps are an indulgent treat but consumers are not oblivious to their health credentials.

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This has led to new firms entering the UK crisp market such as those owned by Charlie Fermor of Perry Court Farms. It produces a new air-dried crisp entirely out of apples. Charlie stated that 'our fruit crisps are completely natural. It's just apple. There's no oil, sugar or salt or any of that other horrible stuff! Perry Court Farms have recently signed contracts to export their air-dried apple crisps to China and Charlie expects revenue to increase by over 1 000% during 2013.

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(Source: adapted from <http://www.dailymail.co.uk/news/article-2228633/Farmers-son-Charlie-Fermor-developed-fruit-crisps-begins-exporting-worldwide.html>)

Assess the consequences for UK crisp manufacturers of changing consumer preferences towards healthier snack foods.

(10)

Q4.

Extract A

Ethics in the UK health and fitness club industry

The nature of a health and fitness club can lead to a number of potential ethical problems. Many fitness clubs rely on memberships for much of their revenue, getting customers to sign contracts that commit them for a period of months - even years.

Members trust staff to help them achieve their fitness goals. If a member joins who is overweight, out of shape and wants to compete in a triathlon in a month, a personal trainer's response should be to point out that the goal might be unrealistic. The trainer should instead suggest a less challenging activity, or a longer time frame.

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Where a club is given an incentive to promote the sales of a particular product line, such as an energy bar, the potential reward must not lead to staff overstating the product's benefits.

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(Source: adapted from <http://yourbusiness.azcentral.com/ethical-problems-fitness-club-25902.html>)

Assess **two** possible examples of trade-offs between profit and ethics for a health and fitness club.

(8)

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Q5.

Extract F

Pure Gym buys rival LA Fitness

In 2016 Pure Gym's newly appointed chief executive, Humphrey Cobbold, won the auction to buy LA Fitness, a business established for over 25 years. The LA Fitness sites will require a £20m refurbishment. Most of the gyms will be rebranded and require a change in working practices.

Pure Gym paid between £60m and £80m for LA Fitness, a mid-market operator that consists of 43 clubs. LA Fitness was put up for sale last year and, like other more upmarket chains, it has been pressured by the challenge posed by lower priced rivals.

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The acquisition will require clearance from the Competition and Markets Authority (CMA), which last year foiled plans for a merger between Pure Gym and The Gym Group. Mr Cobbold said that many of the worries the CMA had were unlikely to be replicated by the LA Fitness acquisition.

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(Source: adapted from <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/leisure/11637658/Pure-Gym-buys-rival-LA-Fitness.html>, 24 January 2016)

Assess whether Pure Gym is likely to overcome the possible difficulties of changing LA Fitness's culture, as a result of the takeover.

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Q6.

Extract A

The teenage entrepreneur who dropped out of university to make lip balm

While studying for her GCSEs in 2015, Rose Dyson entered a local business enterprise competition. She established 'Pura Cosmetics, based on her love of quality beauty products and her frustration with how expensive they were. Rose spotted a gap in the market for ethical cosmetics at affordable prices.

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Pura Cosmetics uses batch production to make its range of 12 lip balms and 10 lip scrubs in a variety of different flavours, such as raspberry and gingerbread. The business now has its own factory, shop and online store. It currently supplies 30 small retailers that only order small quantities. In the future Pura Cosmetics hopes to supply national chains, such as Boots. Pura Cosmetics currently give retailers one month's trade credit.

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Pura Cosmetics has won a range of business awards and Rose has received advice from successful entrepreneurs, such as Karen Brady (Vice Chairman of West Ham United FC, and BBC 'The Apprentice') and Deborah Meaden (venture capitalist from BBC 'Dragon's Den').

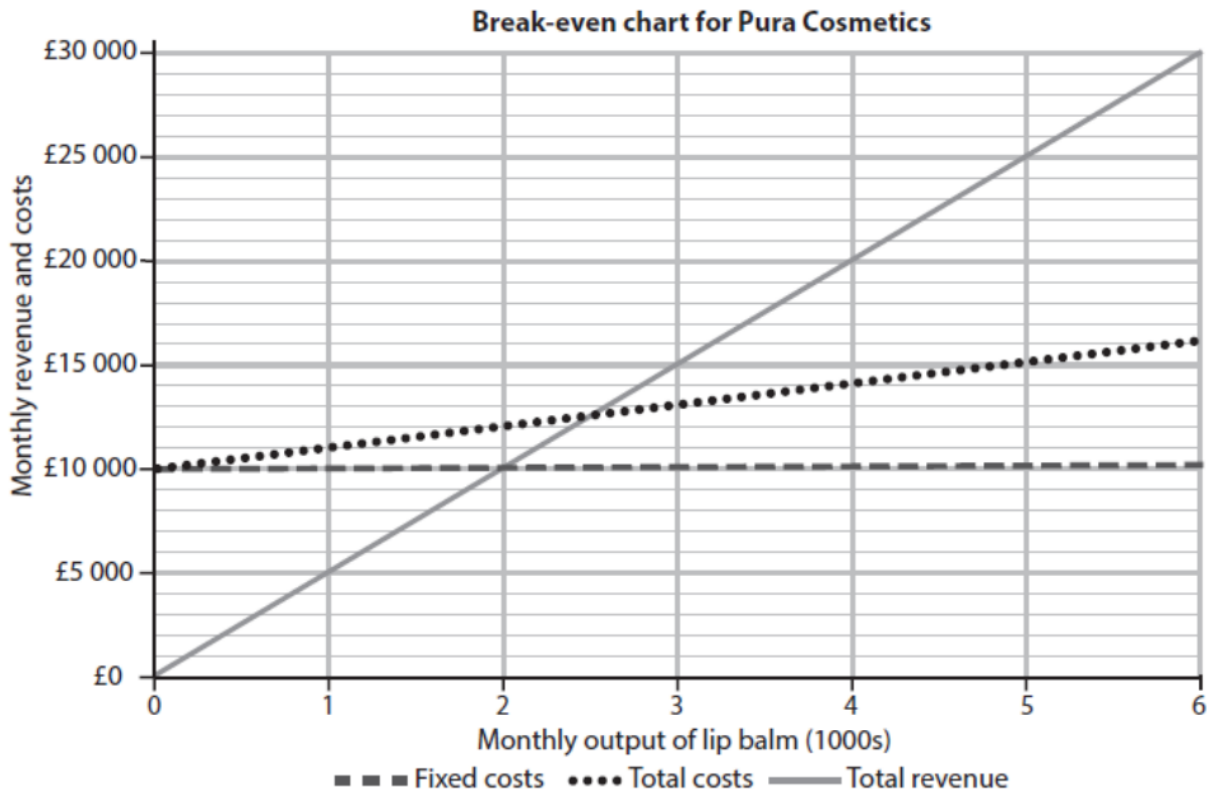
Since leaving college in 2018, Rose has worked full time for her business. Her objective is to rapidly expand Pura Cosmetics by increasing its output from the current level of 6,000 units per month to 15,000 and increase sales turnover by 300% in the next year.

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(Source: adapted from <https://startups.co.uk/young-entrepreneurs-rose-dyson/>)



Extract B



Extract C

Unilever extends its skin care brands with the takeover of Dermalogica

Dermalogica is a brand of skin care cosmetics which uses natural ingredients, such as aloe vera, rather than artificial colours and fragrances. Currently sold in over 80 countries, Dermalogica will be included within Unilever's prestige brand division.

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"Dermalogica enjoys an outstanding reputation and incredible awareness among skin care professionals and consumers alike, that complements our prestige offering," said Unilever Chief Executive, Paul Polman. "It is a company with great distribution and presence globally and shares our belief in the role of business as a force for good in society." The cost of the takeover is reported to be £500m.

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The move comes as Unilever, a multinational business that already owns health and beauty brands such as Dove, plans to drive growth. It aims to increase sales of personal care goods from its current amount of 37% to 66% of total worldwide sales. Dermalogica founder, Jane Wurwand, said that the Unilever takeover will enable the brand to expand globally. She added: "This takeover will provide Dermalogica with the resources to increase brand awareness and help us continue our legacy in supporting the next generation of professional skin therapists and women entrepreneurs worldwide."

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(Source: adapted from <https://www.marketingweek.com/unilever-extends-skin-care-brands-with-dermalogica-acquisition/>)

Extract D

Pura Cosmetics cash-flow forecast November 2021 to January 2022

	November	December	January
	£	£	£
Cash inflows	31 500	31 500	63 000
Cash outflows	26 300	43 500	22 700
Net cash-flow	5 200	(12 000)	40 300
Opening balance	3 000	8 200	(3 800)
Closing balance	8 200	(3 800)	36 500

(Source: information provided by Rose Dyson)

Assess the extent to which Unilever may benefit from its takeover of Dermalogica.

(12)

(Total for question = 12 marks)

Q7.

Extract A

Tended Ltd

Tended Ltd is a fast-growing technology start-up company based in Lincoln, UK founded by young entrepreneur Leo Scott Smith, who is the main shareholder. The company has created a personal safety device called the 'Tended Protect'. Tended Ltd aims to increase its market share of the global wearable technology market.

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Tended Protect is a wrist-worn wearable safety device that monitors the movements of the user through artificial intelligence and has the ability to learn and detect 'abnormalities, such as a fall or strong impact. If the user does not or cannot respond to the device's safety check, then an alert will be sent to the user's nominated emergency contact. It gives the GPS location, health and activity information and will open the channel for live audio with the wearer.

10

Tended Ltd has gained £50 000 from Enterprise Loans*, to help further develop the Tended Protect, create new jobs and marketing for the new product, as well as fulfil its initial orders.

*A subsidiary of the UK government's British Business Bank.

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(Source: adapted from <http://www.smeweb.com/2018/07/09/qa-leo-scott-founder-ceo-tended-protect/> and <https://cityx.co.uk/2018/07/tended-wearable-safety-device-developed-lincolnshire/>)

Extract B

The expansion of Tended Ltd

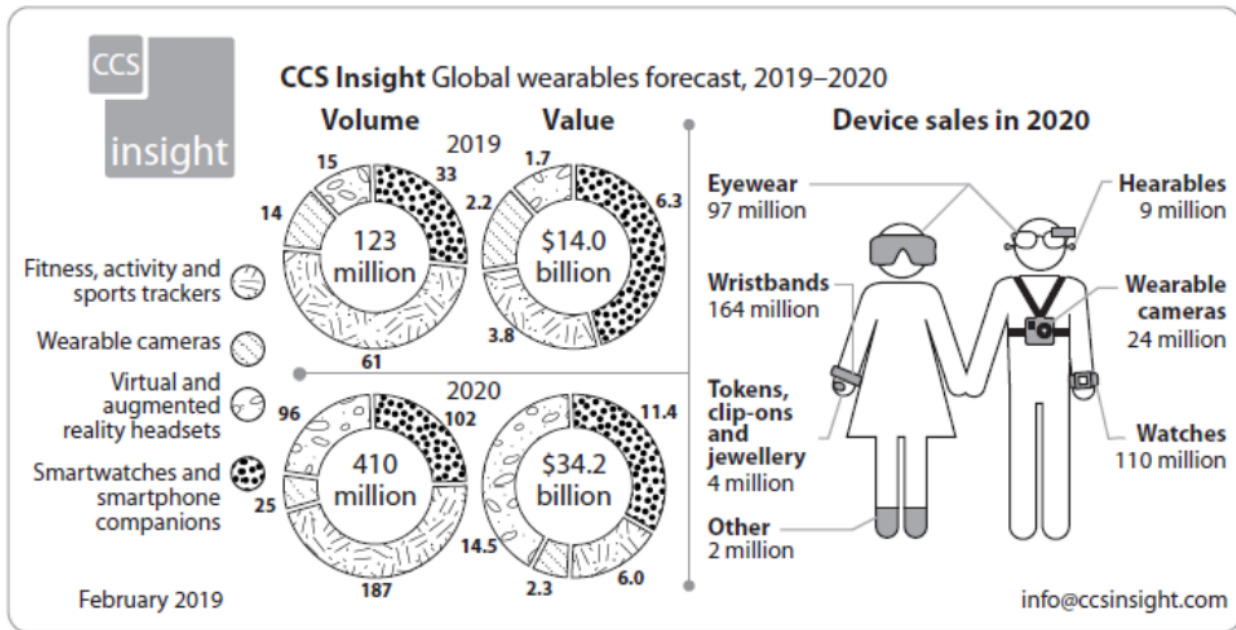
Tended Ltd has developed at a fast rate, from one member of staff to a team of 10 in eight months. It encountered difficulties such as raising finance and it ran out of cash on a few occasions. Tended Ltd also faced development issues, which took months to fix. However, it overcame all of these issues. The staff pulled together as a team, worked into the early hours of the morning and constantly innovated and took risks, enabling the business to stay agile and continue to grow rapidly.

5

(Source: adapted from <https://www.startupvalley.news/uk/tended-personal-safety-wearables/>)

Extract C

The global technology wearables market



CCS Insight, a market research business, has updated its forecast on the future of wearable technology, indicating that 411 million smart wearable devices, worth a staggering \$34 billion, will be sold in 2020.

CCS Insight claims the industry will achieve sales of \$14 billion in 2019, with wrist-based devices, such as smartwatches and fitness trackers, continuing to dominate. Its forecast states half of all wearable technology sales over the next 12 months will be from these devices, with smartwatches making up 50%.

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Ben Wood, Chief of Research at CCS Insight, commented: "Given the falling consumer interest for smartphones, it is little wonder so many companies are chasing the rapidly growing opportunity presented by this dynamic market."

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(Source: adapted from <https://www.forbes.com/sites/paullamkin/2016/02/17/wearable-tech-market-to-be-worth-34-billion-by-2020/#192e2d113cb5>)

Assess the extent to which the problems of rapid growth may have been managed by Tended Ltd.

(12)

(Total for question = 12 marks)

Q8.

Extract D

Sports Direct rescues House of Fraser for £90 million

Sports Direct, the British sportswear retailer controlled by Mike Ashley, has bought House of Fraser for £90 million.

Billionaire Ashley said his ambition was to transform House of Fraser "into the Harrods of the High Street", a reference to the luxury department store in London. "This is a massive step forward and further enhances our strategy," he added. Ashley's stated desire is to make Sports Direct the "Selfridges of Sport", matching the status of the department store on London's Oxford Street.

5

Buying significant shareholdings in other businesses forms part of Ashley's strategy. Investments have been made in retailers such as Debenhams and French Connection, however this strategy has not always been successful. Last month Sports Direct reported a loss of £85 million resulting from its investment in Debenhams.

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(Source: adapted from <https://uk.reuters.com/article/uk-house-of-fraser-administration/sports-direct-rescues-house-of-fraser-for-90-million-pounds-idUKKBN1KVOIL>)

Extract E

Extract from Sports Direct plc* Annual Report 2018

	£million
Revenue	3 359.5
Cost of sales	2 024.4
Selling, distribution and administrative expenses	1 156.1

*Sports Direct plc includes House of Fraser

(Source: adapted from http://www.sportsdirectplc.com/~/_media/Files/S/Sports-Direct/annual-report/annual-report-2018.pdf)

Extract F

UK retail trends

Online purchases now account for almost 20% of retail sales, growing at 10 times the rate of physical store sales in the first half of 2018. During this period, 4,400 stores closed across the UK high street, up from 103 in 2017. Years of rising costs, technological disruption and changing consumer behaviour have forced the UK high street to undergo considerable structural change.

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There will be fewer shops in the future but this does not mean the store is dead, it just means that the role of the store is changing. There are numerous examples of innovation happening within stores, such as cashless supermarkets and retailers investing in better customer service.

10

(Source: adapted from <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/retail-trends.html>)

Extract G

Sports Direct's corporate culture

Over the past two years investigations by the Guardian newspaper and the BBC found that working conditions at Sports Direct's Shirebrook warehouse in Derbyshire were similar to a 'modern-day Victorian workhouse! Allegations of workers being paid below the minimum wage, fearing their bosses, experiencing security checks, and workers feeling forced to attend work despite being ill were all uncovered.

5

The Unite union reported that: "People are scared because they are working under a system where they know they could lose their employment at any moment." Employees were deducted 15 minutes' pay if they were one minute late for their shift, and lost their jobs altogether if they fell foul of the firm's 'six strikes' system - with one strike including anything from spending too long in the toilet to taking a day off sick.

Sports Direct admitted it had made some mistakes and was reviewing its Human Resource strategies.

10

(Source: adapted from <https://www.managers.org.uk/insights/news/2016/june/5-things-we-learned-about-management-at-sports-direct>)

Assess the likely consequences for Sports Direct of its corporate culture.

(12)

(Total for question = 12 marks)

Q9.

Extract G

AG Barr gets a taste for cocktails and snaps up Funkin

In February 2015, AG Barr, the soft drinks company that makes Irn Bru, bought cocktail mixer business Funkin in a deal worth up to £21m. The Scottish-based business acquired Funkin for £16.5m in cash, and could pay a further £4.5m if the business hits its performance targets. AG Barr said the deal would take it into a new expanding market, as consumers seek different tastes.

5

To boost sales of Funkin's products, AG Barr plans to use its own distribution network. Roger White, Chief Executive of AG Barr, said: "We have a proven track record of acquiring and developing high-growth brands and, under our ownership, we believe Funkin is even more strongly positioned to take advantage of a number of exciting growth opportunities."

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(Source: adapted from <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/leisure/11385088/AG-Barr-gets-a-taste-for-cocktails-and-snaps-up-Funkin.html>)

Assess the likely effects for AG Barr of taking over Funkin, the cocktail mixer business.

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Q10.

Extract F

Profit or social responsibility?

Cadbury used to be committed to using Fairtrade cocoa beans to produce its chocolate. Fairtrade meant that up to 200 000 cocoa farmers in countries, such as Ghana and Ivory Coast, earned a minimum of £1 600 per tonne of cocoa sold. In November 2016, Cadbury switched to a new cocoa production partnership known as Cocoa Life, which does not apply the same price rules and does not guarantee other ingredients, such as nuts, sugar or raisins, are responsibly sourced.

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Raisins had been the dry fruit of choice in a Fruit & Nut bar for 90 years. At the end of 2015, sultanas were added 'to give more variation. Sultanas are cheaper than raisins.

One of the benefits of working for Cadbury was that you were looked after in retirement. Former employees were given a gift of chocolates at Christmas. Mondelez International scrapped the gifts, claiming it needed to save money to help plug the company's pension deficit.

10

By contrast, Mondelez International has recently taken steps to be more socially responsible - such as pledging that all its standard-sized 'single-serving' chocolate bars would contain less than 250 calories by the end of 2015. This was in response to the UK government's voluntary anti-obesity policies.

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(Sources: adapted from © Independent Digital News and Media Ltd and Guardian News and Media Limited 2014)

Assess the likely value of Corporate Social Responsibility to a business, such as Cadbury.

(10)

Q11.

Extract E

Buy it Direct

Buy it Direct is one of the largest online retailers in the UK. Established in 1999, it employs over 250 staff across three sites in Huddersfield, Barnsley and the East Midlands. The business is split into separate divisions, each of which is responsible for managing its own budget. The head of each division reports directly to Buy it Direct's Chief Executive.

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Buy it Direct was one of the first e-commerce businesses in the UK to sell computers and electronics and then moved into also selling kitchen appliances, televisions and furniture.

Buy it Direct offers competitive prices and high levels of customer service. For example, it has a customer call centre that provides product advice and offers additional services, such as arranging for the installation of new appliances. Buy it Direct aims to hold a wider range of stock than its competitors. It sells premium brands, such as Bosch and Zanussi, as well as lower priced 'own brand' products. A significant proportion of its products are imported from China.

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(Source: adapted from <https://www.laptopsdirect.co.uk/content/buyitdirect>)

Extract F

Buy it Direct's Chief Executive has set a target of 3 years payback for all investment projects including a new bathroom division with an estimated cost of £700 000.

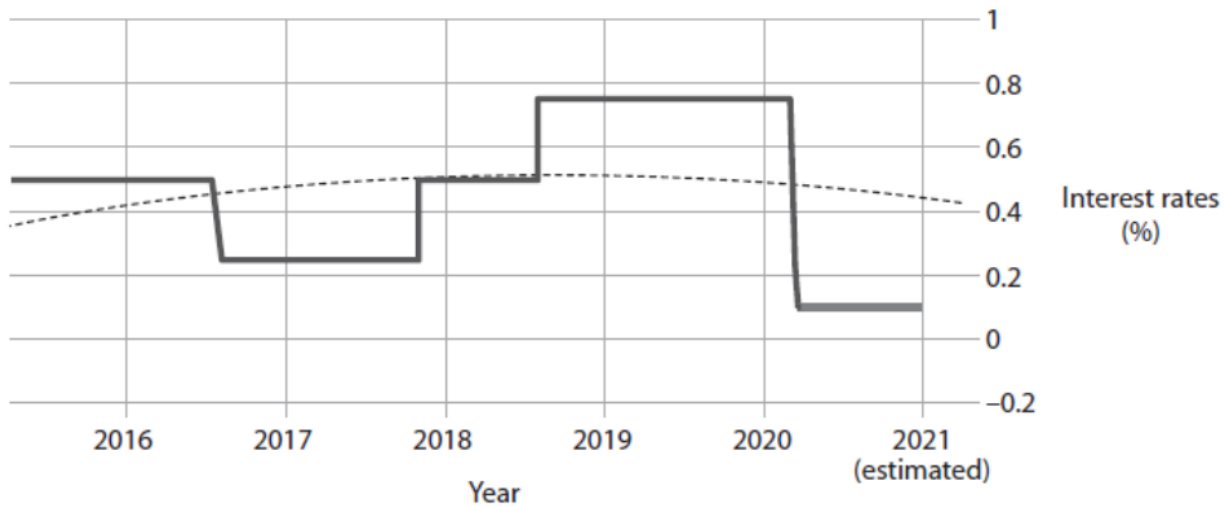
Cash-flow data for Buy it Direct's proposed new bathroom division

Year	Net cash-flow, £000s
1	200
2	200
3	200
4	200

(Source: figures provided by Nick Glynne, Chief Executive of Buy it Direct)

Extract G

UK interest rates 2016–2021 (estimated forecast for 2021)



(Source: adapted from <https://tradingeconomics.com/united-kingdom/interest-rate>)

Extract H

The UK electrical household appliance sector

It's been a challenging year for the sales of major domestic appliances, such as washing machines and televisions. The market has been growing at just 0.5% as a result of a slowing housing market and wavering consumer confidence. Most major domestic appliance purchases are triggered by replacing a broken or faulty appliance and this part of the market has remained unchanged. When buying household appliances, price and speed of delivery are key factors for consumers.

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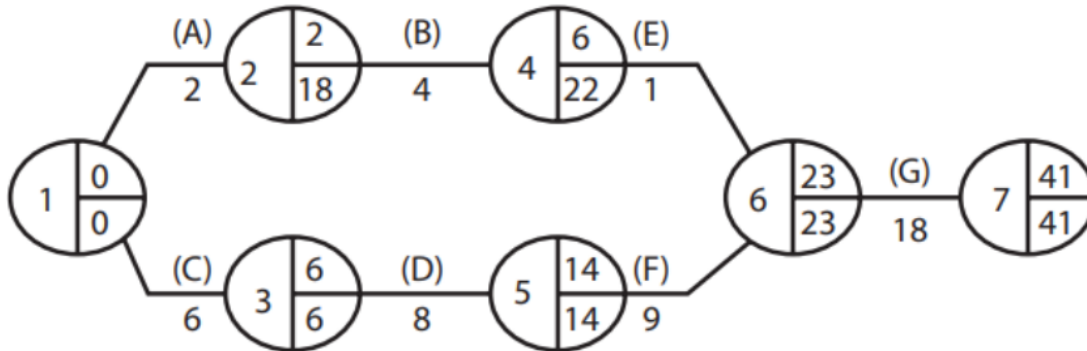
High rates of innovation in the sector and introduction of smart technologies are helping to tempt some consumers to trade up. However, only a small proportion of consumers are willing to pay a higher price for the latest innovations. Meanwhile, research shows that style and design, combined with either price or quality, are the key to deciding which brand of major domestic appliance to buy.

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(Source: adapted from https://www.retailerconomics.co.uk/retail-sector-electricals_market)



Buy it Direct's new Operations Director is in charge of installing a new IT system for the warehouses. This project must be completed within 45 weeks. The Operations Director has produced the following network diagram:



Activity A: Identify problem

Activity C: Recruit staff

Activity E: Discuss IT solution

Activity G: Implementation and testing

Activity B: Consult with software supplier

Activity D: Staff training

Activity F: Order equipment from suppliers

Assess the likely value of Critical Path Analysis (CPA) for the effective management of the installation of the new IT system.

(12)

(Total for question = 12 marks)

Q12.

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.

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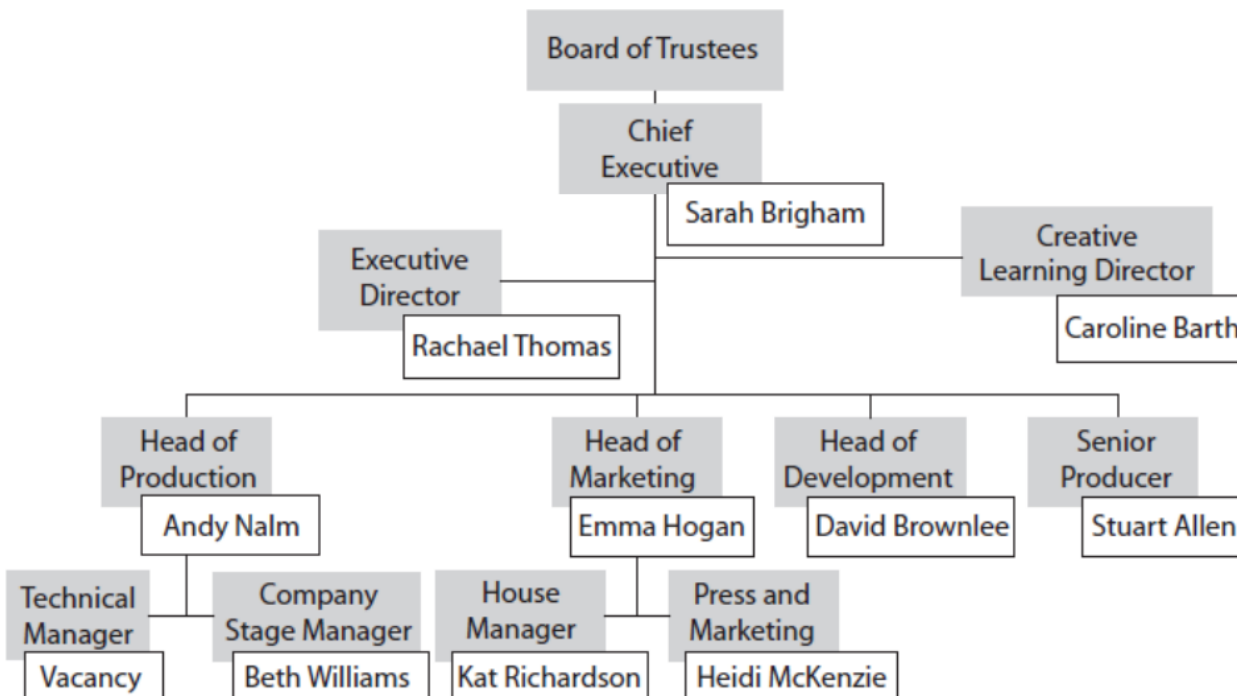
Derby Theatre operates on a day-to-day basis mainly thanks to an annual £795,000 Arts Council grant paid by instalments every quarter. Box office incomes do vary throughout the year, depending on performances and the local competition from the Derby Live Arena and Derby's Guildhall. Derby Theatre's bar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

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(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*)



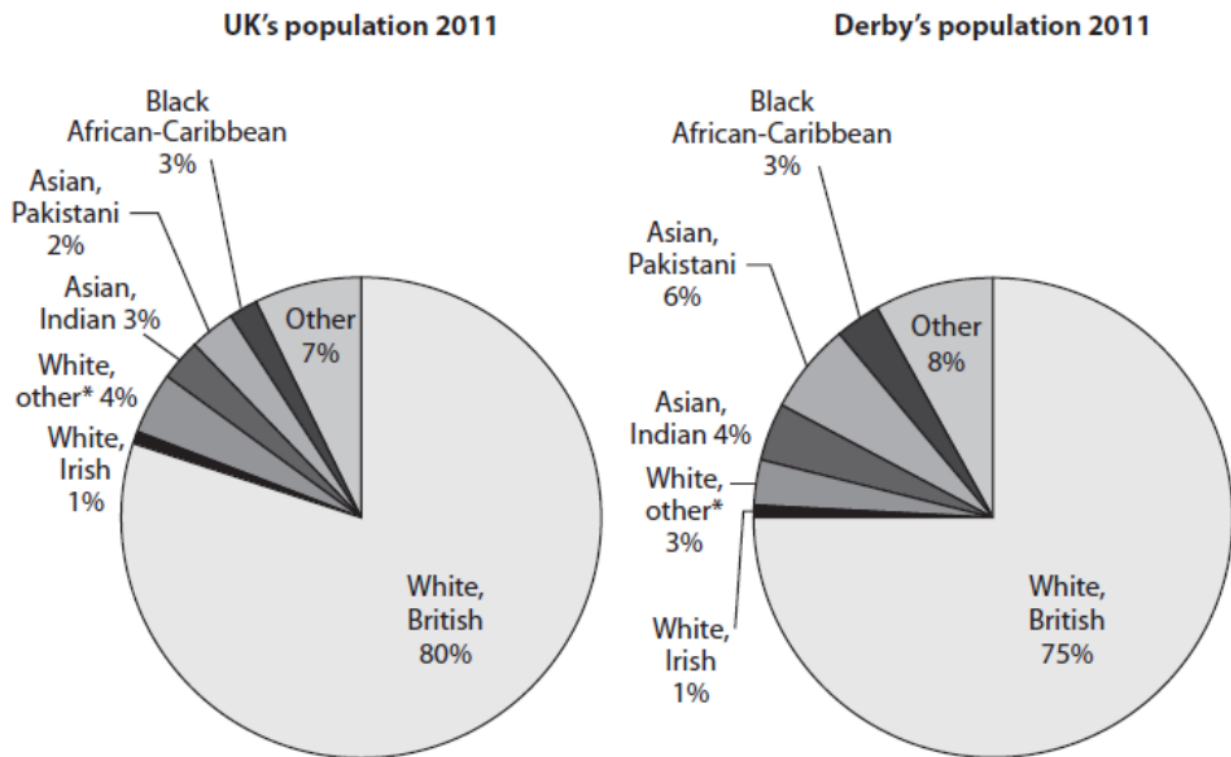


*Staffing at Derby Theatre totals 50 full-time equivalents and six freelance managers. Specialist management roles are often advertised through national media.

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

Extract G

Ethnicity profiles



*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.

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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.

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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.

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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.

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

Assess the likely value of succession planning to Derby Theatre.

(10)

(Total for question = 10 marks)

Q13.

Extract E

The Wonky Table Ltd

Located in the Cathedral Quarter area of Derby city centre, The Wonky Table restaurant offers plain and simple dining with a contemporary twist. It opened in December 2010, with start-up capital of £75 000. All staff at The Wonky Table are passionate about serving quality food, using locally sourced produce.

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The Wonky Table operates from leased premises. It is a family-run restaurant owned and managed by Holly and Andy, operating with 2 full-time and 12 part-time staff. In 2012, The Wonky Table became a private limited company to secure additional funds to grow and develop.

Holly and Andy have offered Movie Theme Nights and Vegetarian Evenings, which have proven popular with customers, ensuring that there is always something wonderfully charming and unique about The Wonky Table.

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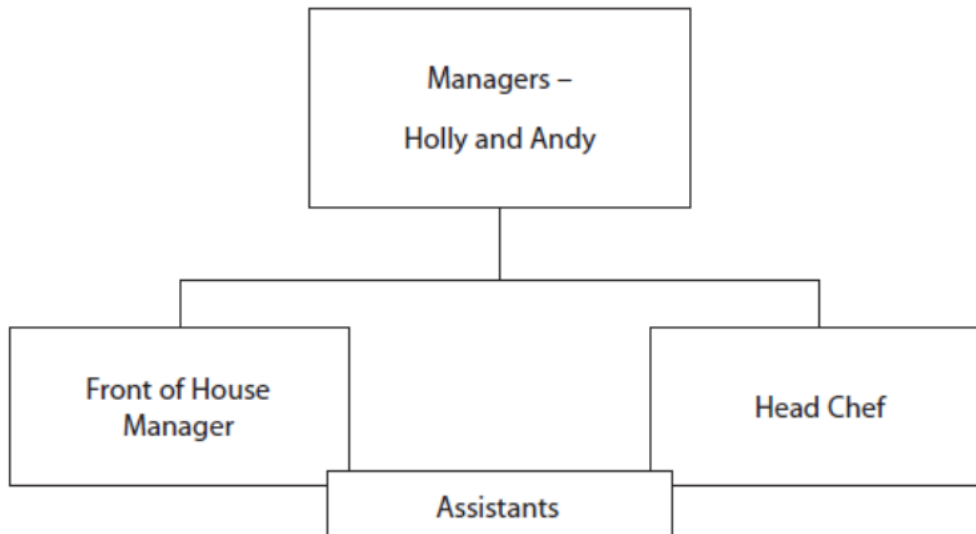
(Source: adapted from www.wonkytable.co.uk and interview with Holly Marianne Faulkner, Joint Proprietor/Manager of The Wonky Table, March 2020)

Extract F

The Wonky Table: Management structure, March 2020

Staffing at The Wonky Table is made up of a Head Chef, responsible for two assistant cooks, and two other kitchen staff; a Front of House Manager who is responsible for eight waiting staff. The assistants undertake job rotation regularly, in order to appreciate and understand each other's roles more effectively.

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(Source: adapted from an interview with Holly Marianne Faulkner, Joint Proprietor/ Manager of The Wonky Table, March 2020)

Extract G

The Wonky Table expansion plans - 2021

Holly and Andy considered two options:

Upstairs renovation

The first option was to extend the number of covers (seats) from 24 to 48 by renovating upstairs at a cost of £14000. This would enable The Wonky Table to boost sales from not only more customers, but also from the introduction of private party bookings.

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The extra seating and tables would need to be ordered by July 2021 in order to enable installation during the second and third weeks of August 2021, when The Wonky Table is usually less busy. Andy suggested to Holly that this might also present an opportunity to replace existing lighting with more economical LED lighting and redecorate the restaurant at an extra cost of £6000.

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External catering

There is the opportunity to provide external catering for a number of local businesses in the Cathedral Quarter of Derby. These include accountants, estate agents, solicitors and premium hair salons. The Wonky Table could offer buffet lunches, celebration dinners and catering for conference events.

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This option would mean the closure of The Wonky Table for two weeks in December to have an additional kitchen built at the rear of the restaurant. This new kitchen would provide more facilities for the preparation, cooking and storage of food with an estimated cost of £8000.

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(Source: adapted from an interview with Andy Threlwiss, Joint Proprietor/ Manager of The Wonky Table, March 2020)

Holly and Andy are considering creating a mission statement for The Wonky Table.

Assess the potential benefits to The Wonky Table of having a mission statement.

(10)

(Total for question = 10 marks)

Q14.

Extract E

Hardy Punglia's designs are a cut above the rest

Fashion designer Hardy Punglia launched his own range of clothing in Huddersfield with one shop and just five designs.

Three years later his collection exceeds over 100 designs. Hardy now plans to open another shop and is hoping to supply other retailers in Yorkshire. He also sells to a wider audience through the online fashion outlet ASOS.

5



Cash flow forecast for the period January to March 2020

	January	February	March
	£	£	£
Cash inflows	2 000	3 600	8 000
Cash outflows	7 000	4 000	3 000
Net cash flow	(5 000)	(400)	5 000
Opening balance	2 000	(3 000)	(3 400)
Closing balance	(3 000)	(3 400)	1 600

(Source: adapted from © a Reach plc subsidiary 2018)

Extract F

Zara's successful formula for fast fashion

Zara is a Spanish clothing retailer with 650 stores in 50 countries. It has 12 factories in Spain and Portugal, which supply the majority of Zara's stores using a just in time (JIT) stock control system.

In Zara stores, customers can always find new products, but in limited supply. To create a sense of exclusivity, Zara constantly introduces new products in small quantities, which motivates customers to visit its shops more often. On average, customers in London visit a fashion store four times a year; Zara's customers visit 17 times.

5

A Zara customer may think, 'If I don't buy this orange shirt now, it may not be there next time I visit!'

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Selected financial information for Zara 2016

	£m
Budgeted sales revenue	20 900
Actual sales revenue	23 310
Budgeted total costs	16 204
Actual total costs	18 226

(Source: adapted from © Inditex)

Extract G

Second ASOS fire damages stock worth £6m

In May 2017 a fire at ASOS's Berlin warehouse damaged two million products worth £6m. According to ASOS, 'All relevant safety measures were followed and the fire was contained. After the fire, ASOS's scenario plan was put into operation and ASOS immediately started to fulfil orders from Germany through its Barnsley warehouse.

5

In June 2014 ASOS's Barnsley site had been damaged by fire, destroying an estimated 20% of stock. In addition, this fire cost £30m in lost sales, which meant ASOS missed its £1bn sales target for 2014.

The fire in 2014 disrupted business for three days. In contrast, after the fire in the Berlin warehouse, the ASOS website serving Germany and the UK operated as normal. Following news of the Berlin fire, ASOS's share price dipped initially, but soon recovered.

10

(Source: adapted from © InternetRetailing Media)

Assess the usefulness of scenario planning to a business, such as ASOS.

(12)

Q15.

Extract E

Bluebells

Bluebells is a seven-bedroom bed and breakfast guesthouse in Keswick, Cumbria, owned and run by Les and Liz Miller. Bluebells is open between March and November. All rooms are en suite, and free WiFi access is available. Since opening in 2006, Bluebells has developed an excellent reputation and consistently receives 5* reviews on websites such as TripAdvisor.

5

The market for holiday accommodation in Keswick is competitive, with a wide choice of guesthouses, hotels and self-catering accommodation. The market is seasonal, with most tourists visiting between May and September.

Bluebells reinvests 50% of its profits back into the business each year. Recent projects have included replacing the windows and purchasing a fuel-efficient boiler. Les and Liz place great emphasis on the importance of financial planning, which includes the use of historical budgeting and careful management of its cash flow.

10

(Source: adapted from interview with Les Miller, owner of Bluebells)

Extract F

Room occupancy levels for Bluebells 2019

Month	% of rooms occupied
March	30
April	45
May	70
June	70
July	90
Aug	90
Sept	70
Oct	50
Nov	30

(Source: adapted from interview with Les Miller, owner of Bluebells)

Extract G

Selected cost and revenue data for Bluebells

	£
Revenue per room per night	84
Variable costs per room per night	34
Annual fixed costs	30 000

(Source: adapted from interview with Les Miller, owner of Bluebells)

Extract H

Tourism in Cumbria

The Lake District in Cumbria is one of Britain's world class destinations. It attracts large numbers of visitors spending over £1bn each year.

In the UK, city breaks have become increasingly popular and other rural destinations such as North Wales and the Peak District are marketing themselves aggressively. The popularity of online travel agents such as 'Booking.com' provides consumers with more holiday choices and competitive prices.

5

Cumbria remains a popular holiday destination but has not enjoyed the growth that other UK destinations have seen over the last few years. Cumbria is far more dependent on tourism than most other parts of the UK so it cannot afford to be complacent.

10

(Source: adapted from <http://www.cumbriatourism.org/wp-content/uploads/2015/07/tourism-strategy-2008-2018.pdf>)

Assess the usefulness of SWOT analysis for Bluebells' continued success.

(12)

(Total for question = 12 marks)