

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.

SKA Textiles uses the Ansoff Matrix when deciding on its marketing strategies. The two strategies they are considering are market penetration or diversification.

Evaluate these **two** strategies and recommend which **one** is most suitable for SKA Textiles.

(20)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Q2.

Extract D

Live the Adventure Ltd

Live the Adventure Ltd is a family business founded in 1984 which operates a leading UK activity centre in Shropshire. It offers an extensive range of activities, including archery, caving, climbing, horse riding and paintballing. The centre has a well-qualified permanent team of staff, supported by a number of seasonal employees.

Since 2010 Live the Adventure Ltd has provided expedition holidays at its other centre in Nepal, which specialises in kayaking, rafting and trekking holidays. Live the Adventure Ltd is considering offering winter activity holidays in Europe, such as skiing and snowboarding, to widen its customer base.

The quarterly sales for Live the Adventure Ltd, 2015-2017 are on the next page.

Quarterly sales for Live the Adventure Ltd, 2015-2017

Year and *Quarter	Sales in £'000s	4 Quarter Total	8 Period Total	4 Quarter Moving Average (Trend)	Variation
2015 Q1	40				
2015 Q2	70				
		240			
2015 Q3	80		490	61.25	18.75
		250			
2015 Q4	50		510	63.75	-13.75
		260			
2016 Q1	50		530	66.25	-16.25
		270			
2016 Q2	80		550	68.75	11.25
		280			
2016 Q3	90		570	71.25	18.75
		290			
2016 Q4	60		590	A	B



EXAM PAPERS PRACTICE

2017 Q1	60		610	C	D
		310			
2017 Q2	90		630	78.75	11.25
		320			
2017 Q3	100				
2017 Q4	70				

(Source adapted from: Anthony Eddies Davies, principal owner and senior instructor of Live the Adventure Ltd)

*Q1 = Jan-March; Q2 = April-June; Q3 = July-September; Q4 = October-December

Live the Adventure Ltd is deciding whether to expand its existing operations or to offer winter activity holidays in Europe in order to grow.

Using the data in Extract D, calculate the values of A, B, C and D and, using other non-financial information, evaluate these two options.

Recommend which **one** of these two options Live the Adventure Ltd should choose in order to grow.

(20)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



EXAM PAPERS PRACTICE

A large area of the page is filled with horizontal dotted lines, providing space for writing answers.

(Total for question = 20 marks)

Q3.

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 £75000. All staff at The Wonky Table are passionate about serving quality food, using locally sourced produce.

5

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.

10

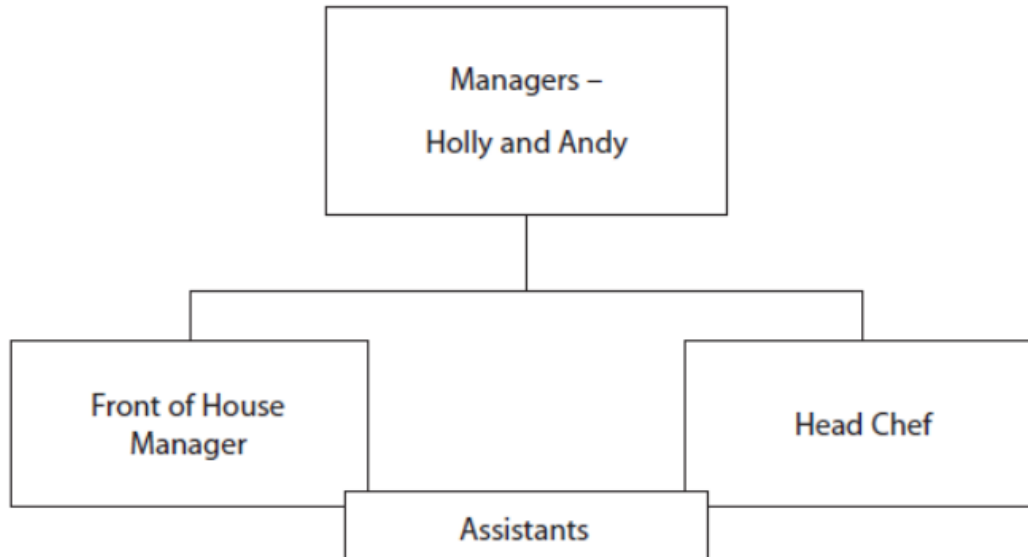
(Source: adapted from www.wonkytable.co.uk and interview with Holly Marianne Faulkner, Joint Proprietor/Manager of The Wonky Table, March 2020)

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.

5



(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.

5

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.

10

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.

15

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.

20

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

Holly and Andy are considering ways to increase profits. They could either extend their premises upstairs or offer external catering to local businesses.

Using the data in Extract G and SWOT analysis, evaluate each option and recommend to Holly and Andy which **one** might be better for them to increase profits.

(20)

(Total for question = 20 marks)

Q4.

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.

5

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.

10

(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



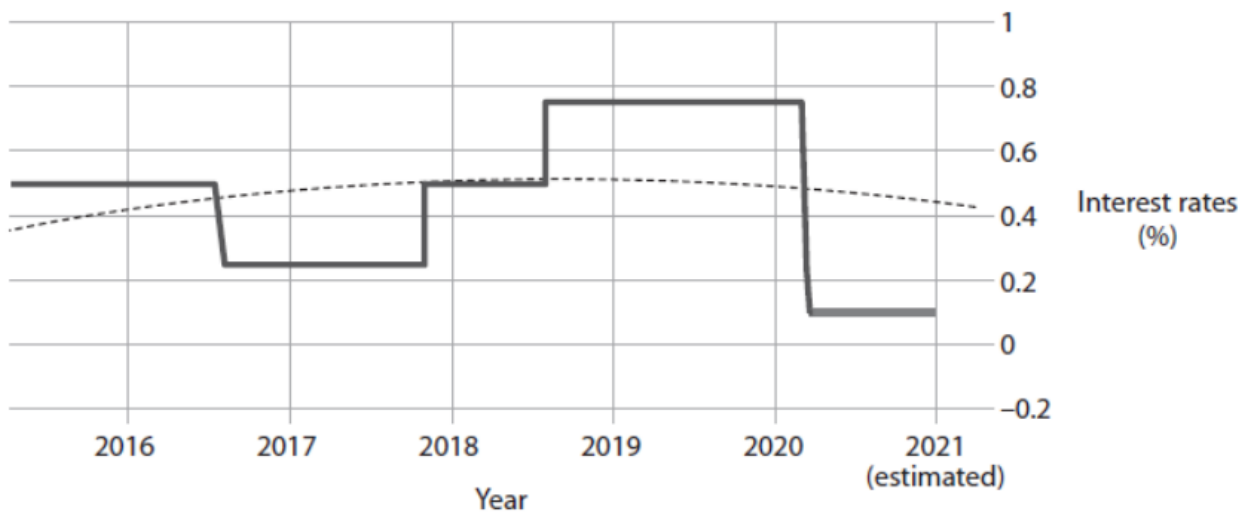
EXAM PAPERS PRACTICE

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

(Source: figures provided by Nick Glynn, 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.

5

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.

10

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

Buy it Direct has set the objective of increasing its sales revenue. It is considering two options, either to adopt a strategy of market penetration in the UK Electrical Household Appliance market or diversification.

Evaluate these **two** options and recommend which one is most likely to achieve Buy it Direct's objective of increasing its sales revenue.

(20)

(Total for question = 20 marks)

Q5.

Extract A

VisionSpring

VisionSpring is a social enterprise founded to provide glasses that are affordable for people in developing countries, such as India. These glasses improve job opportunities for many people in rural areas.

VisionSpring supplies local small businesses, that sell its glasses, and also trains the business owners to conduct eye tests in local villages.

5

Each pair of glasses costs VisionSpring £1 to make and deliver, which the small business buys for £2 and sells to customers for £4. As every step of the chain is profitable, the business model is sustainable.

VisionSpring's current growth strategy is to reinvest its profits to expand the scheme, but it is also considering obtaining loans from established businesses in developing countries.

10

One such business is ITC, a tobacco company in India that supplies the majority of village shops.

(Source: adapted from Pyramid power © The Economist, Jan 11th 2007)

Extract B

Economic impact of buying a pair of VisionSpring glasses

Price	£4
Estimated increased earnings per person, per year	£108
Expected life of a pair of glasses	2 years

(Source: adapted from © VisionSpring 2018)

Extract C

Warby Parker

Warby Parker was founded with the objectives of selling designer glasses at a low price and being socially responsible. The optical industry is dominated by a few large companies that keep prices high, making huge profits from consumers who have limited choice.

5

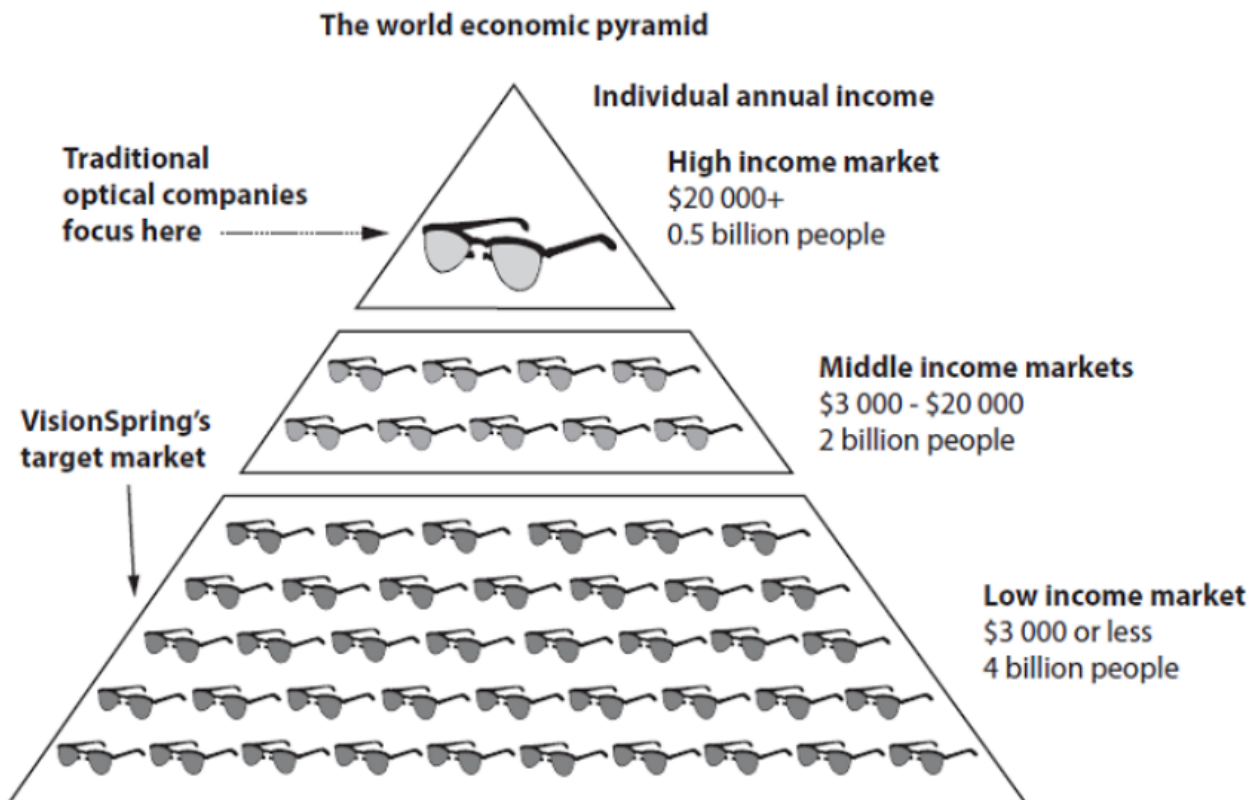
Warby Parker created an alternative by designing and selling glasses to customers directly online. It is able to provide higher-quality, better-looking prescription glasses at a lower price than larger competitors.

Almost one billion people worldwide lack access to glasses, limiting their ability to learn or work. Warby Parker believes that everyone has the right to see. For every pair of glasses it sells another pair is given free to charities, such as Sightsavers, operating in developing countries.

10

(Source: adapted from <https://www.warbyparker.com/history>)

Extract D



In high income markets, glasses are typically sold using a low-volume, high-profit margin approach. However, VisionSpring recognised the potential for success in the developing world. To achieve this, it focused on the low income market, using a high-volume and low-profit margin approach.

(Source: adapted from VisionSpring 2018)

Warby Parker's main corporate objective is to grow the business. The management is considering two options, either to develop a new range of contact lenses for the high income market, or to start selling glasses in the low income market.

Evaluate these **two** options and recommend which one is most likely to achieve Warby Parker's main corporate objective.

(20)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Q6.

Mumtaz Food Group

Mumtaz is an Asian food producer in Bradford. It is a private limited company owned and run by the Akbar family. Established as a takeaway restaurant in 1979, it now owns three restaurants and food processing factories that make ready meals. It has always used internal finance to establish and grow the business.

5

Mumtaz has sales revenues of around £25m. Unlike many of its rivals that produce ready meals for the supermarkets' own label brands, Mumtaz sells most of its products under the Mumtaz premium brand name. Asda, Morrisons and Tesco are among the supermarkets that sell Mumtaz products and they are also sold in more than 40 countries. The ready meals part of the Group is growing by 15-20% a year.

10

In 2006, a new product range of Halal baby food was launched after Mumtaz became aware of how difficult it was for Muslim parents to find Halal baby food. Today, roughly half of all Mumtaz baby food is bought by non-Muslim customers.

Mumtaz intends to continue to expand by organic growth. It recently opened a second factory in Bradford to meet the increased demand for its ready meals. It is also considering setting up manufacturing operations in Asia.

15

(Source: adapted from © 2017 Johnston Publishing Ltd)

Extract C

UK Economic data for 2016 and forecasts for 2020

Economic indicator	2016	2020
Economic growth (change in GDP)	0.5%	1%
Inflation	1.2%	2.7%
Unemployment	4.8%	6.5%
US\$ to the £ exchange rate	1.23	0.99

(Source: adapted from www.tradingeconomics.com/united-kingdom/forecast)

Extract D

The UK ready meals market

The UK ready meals market grew by 2% in volume and value in 2016. Sales of ready meals benefitted from the trend towards premium products amongst consumers. The popularity of ready meals was due to their convenience, as well as the growing number of single-person households.

5

Supermarkets' own label products remained the leader in ready meals with a combined 68% market share, with Tesco having the highest percentage of 18%. Retailers offer different recipes which, in turn, help them to meet a wide range of consumer tastes. Supermarkets' own label products also rely heavily on price discounts and promotional offers in order to attract more price-sensitive buyers.

10

Convenience is likely to be an important factor in driving sales of ready meals, but so is the introduction of new product ranges.

(Source: adapted from © 2017 Euromonitor)

Mumtaz's aim is to become the UK's market leader in Asian ready meals. To achieve this, it could produce own label ready meals for supermarkets or focus on selling more Mumtaz premium brand name products.

Evaluate these **two** options and recommend which is most suitable for Mumtaz to achieve its aim.

(Total for question = 20 marks)

Q7.

Extract H

Changes at Volkswagen (VW)

VW aims to create 9,000 new jobs as it shifts to self-driving cars. The new Chief Executive, Matthias Müller, said it was "the biggest modernisation programme in the history of the group's core brand. The VW brand needs a real shake-up".

During a presentation at the Paris Motor Show, Matthias Müller said that VW has teamed up with Gett - a rival to Uber - to create a self-driving mobility service for businesses.

5

In 2016, VW cut 30,000 jobs globally, partly due to the falling popularity of its diesel cars. This was a consequence of VW being fined \$15bn for cheating in emission tests on its diesel cars. The VW brand was struggling even before the emissions scandal damaged its reputation. It had weak profitability, high labour costs and a complex organisational structure.

10

(Sources: adapted from © Independent Digital News and Media Ltd and © Associated Newspapers Ltd)

VW's new Chief Executive has been given the aim of increasing the company's profitability. The two options VW is considering are to develop a new range of self-driving cars or to improve productivity.

Evaluate these **two** options and recommend which is most suitable to achieve the aim of increasing profitability, for a business such as VW.

(Total for question = 20 marks)

Q8.

Extract H

Unilever Sustainable Living Plan 2016

Unilever plc is a leading global producer of food, home and personal care products. Its many well known brands include Lipton tea, Persil washing powder, Domestos bleach and Sure deodorant. "The Unilever Sustainable Living (USL) Plan is our main strategy for achieving our vision to double the size of the business, whilst reducing our environmental footprint and increasing our positive social impact. The USL Plan sets targets to be achieved by 2020 and includes how we source raw materials and how consumers use our brands. The scale of our ambition means that we are finding new ways to form partnerships with business, government and society" said Paul Polman, Chief Executive.

5

Unilever attracts many investors who prefer to invest ethically. However, there is always a concern that a long-term focus on sustainability might be unattractive to some investors.

10

(Source: adapted from <https://www.unilever.com/sustainable-living/>)

Unilever's Chief Executive believes that Unilever should aim to consider all of its stakeholders in its main business decisions. Some business analysts consider that Unilever should instead consider an aim of focusing purely on its shareholders.

Evaluate these **two** aims and recommend which is most suitable for a business, such as Unilever.

(20)

.....

.....

.....

.....

.....

.....

.....



EXAM PAPERS PRACTICE

A series of horizontal dotted lines spanning the width of the page, intended for writing an answer. There are approximately 25 lines of dots.

(Total for question = 20 marks)

Q9.

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.

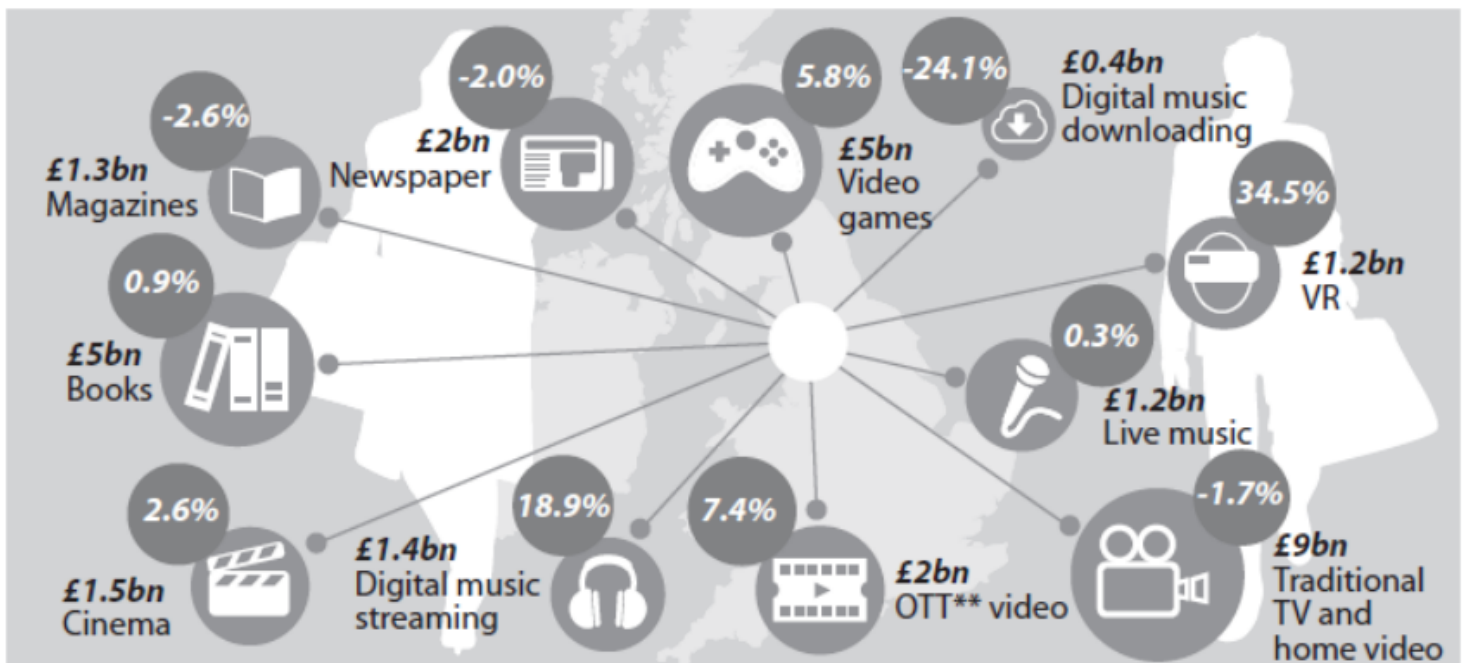
5

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>)

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.

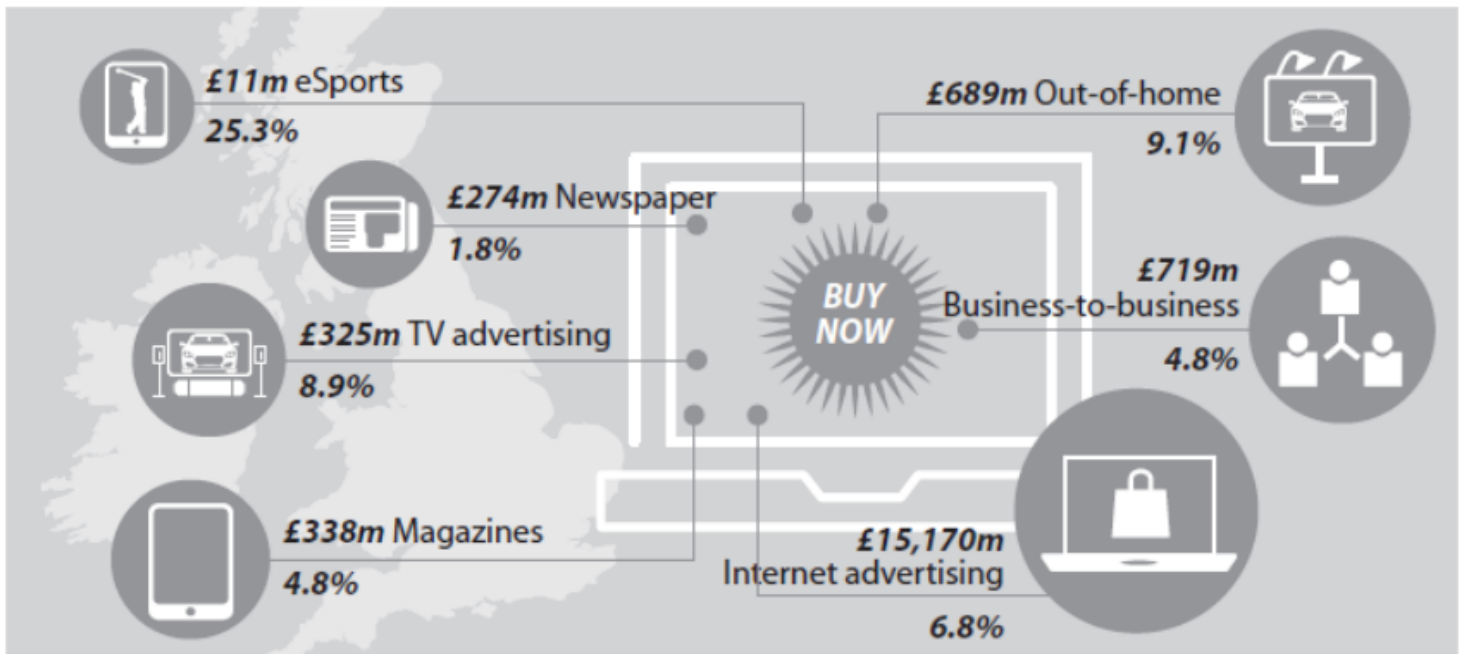
20

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>)

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.

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)

(Total for question = 20 marks)

Q10.

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.

10

(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.

5

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>)

Sports Direct aims to reduce the labour turnover of its workforce. To achieve this, it could introduce an employee share ownership scheme or implement an empowerment strategy.

Evaluate these two options and recommend which one is most suitable for Sports Direct to achieve its aim of reducing labour turnover.

(20)

(Total for question = 20 marks)



Q11.

Google wish to improve the productivity of their employees. The two strategies they are considering are either empowerment or using financial rewards.

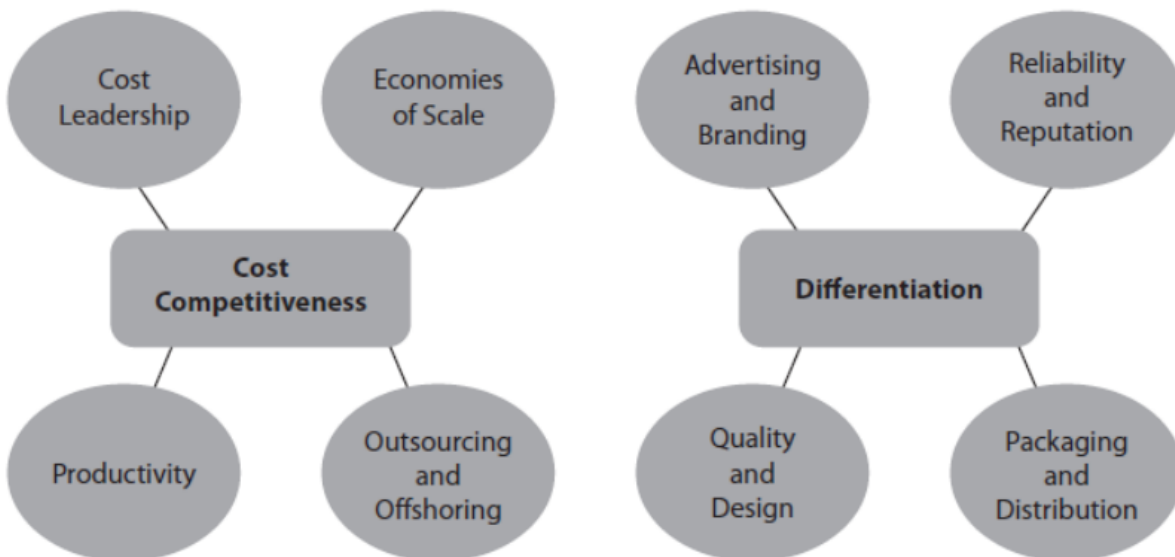
Evaluate these two strategies to increase labour productivity and recommend which one is most suitable for a business such as Google.

(20)

Q12.

Extract H

Competitive advantage



(Source: adapted from http://www.economicsonline.co.uk/Global_economics/Competitiveness.html)

Cost competitiveness and product differentiation are two key strategies to achieve global competitive advantage.

Evaluate these **two** strategies and recommend which one would be better to achieve a global competitive advantage for a business, such as Cadbury.

(Total for question = 20 marks)

Q13.

Extract D

Thorntons sold

Thorntons has failed to revive its chocolate manufacturing business, despite opening more of its own stores and increasing sales through supermarkets.

Ferrero International, with global revenues worth over £8bn (2015), has purchased Thorntons for £112m to expand its operations in the UK, a market estimated to be worth £6bn in sales.

5

The takeover marks the loss of another British chocolate business to an overseas buyer. Cadbury and Green & Black's were sold to the US business Kraft Foods Inc (now Mondelez International) in 2010, while Rowntree was sold to Nestlé in 1988.

In 2014, Ferrero International purchased the world's largest hazelnut processor, the Oltan Group for an undisclosed sum. Hazelnuts are one of Ferrero's key commodities, which it uses for its luxury Ferrero Rocher chocolates, Nutella and Kinder Bueno.

10

The Oltan Group, based in Trabzon, Turkey, was previously under family ownership. It has five production facilities exporting to the EU and global markets, with an annual turnover of £600m.

15

(Source: adapted from © Guardian News and Media Limited 2014 and William Reed Business Media Ltd 2017)

In 2014 Ferrero International took over the Oltan Group. In 2015 it took over Thorntons.

Using the data in Extract D, evaluate these two takeovers and recommend which one is most likely to have affected the profits of Ferrero International.

(Total for question = 20 marks)

Q14.

Extract A

Morrisons' mission statement

We like to think there's more to Morrisons than just numbers. We're proud to be a business that still believes in values: human, ethical, and ecological.

Fresh attitudes and firm principles help make us what we are. Plenty of companies write mission statements, but at Morrisons the words mean something. We're one team all sharing the same vision, committed to pulling together, whilst respecting the differences that make each person different and special.

5

(Source: adapted from <http://www.morrisonsgraduates.com/why-morrisons/our-values>)

Explain how Morrisons may benefit from having a mission statement.

(4)

.....

.....

.....



EXAM PAPERS PRACTICE

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for question = 4 marks)

Q15.

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.

10

(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.

5

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.

10

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

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



EXAM PAPERS PRACTICE

Explain one benefit Sports Direct could gain from conducting a SWOT analysis.

(4)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for question = 4 marks)