

Entrepreneurs and leaders

Level: Pearson Edexcel Level 3 Advanced GCE

Subject: Business (9BS0)

Exam Board: Edexcel A level Business students for all boards

Topic: Entrepreneurs and leaders

Type: Questionnaire

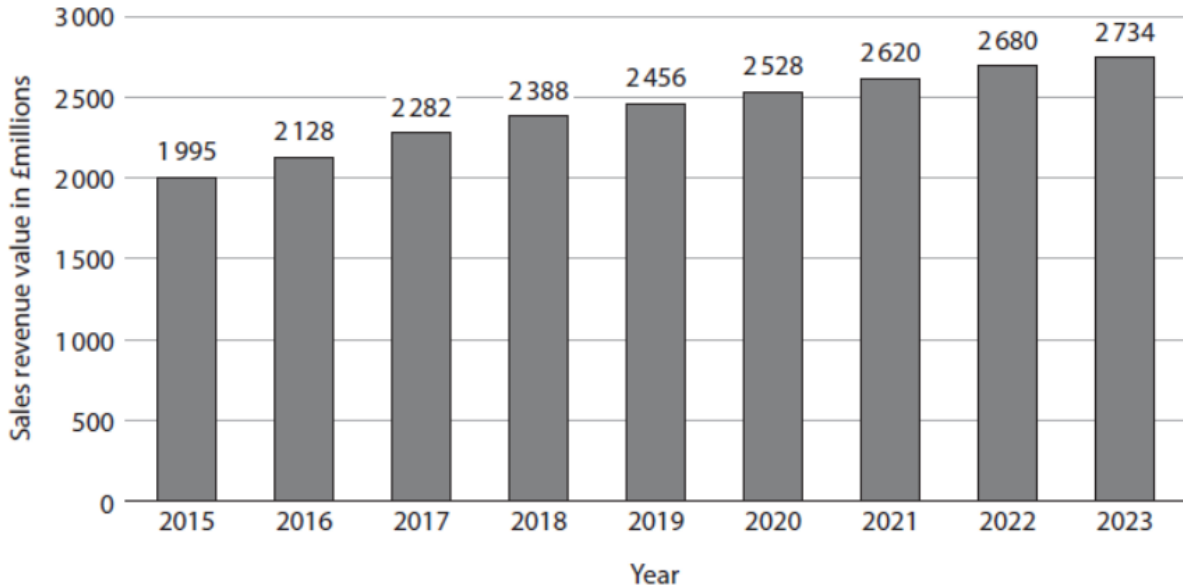
To be used by all students preparing for Pearson Edexcel Level 3
Advanced GCE Business (9BS0)



Q2.

Extract A

UK sweet market revenue – actual and projected



(Source: adapted from <https://www.statista.com/outlook/40100200/156/sugar-confectionery/united-kingdom#market-revenue>)

Extract B

UK sugar sweets

Bags of sugar-based sweets are still popular in the UK's independent convenience stores. However, sales in the stores could be increased if they added 'better-for-you' options and dedicate space to kids' sweets. From lollipops to liquorice laces, convenience stores serve customers from school kids searching for a sweet snack, to pensioners with a desire for a 'pick-me-up!

Sugar confectionery is often bought on impulse and there is a trend for consumers to buy little and often, so convenience stores are ideally placed to increase sales. In 2018, £445m of sweets were sold in convenience stores, out of total UK sweet market of £2 388m.

Convenience stores can take full advantage of their independent status to shop around and stock new sweet products from suppliers. Stores have the freedom of choice to stock smaller niche brands, an opportunity to differentiate, given that consumers are now switching to cheaper own brand sweets.

(Source: adapted from <https://www.conveniencestore.co.uk/products-in-depth/hanging-with-the-big-gums/567533.article>)

Extract C

Bon Bon's sweet wholesaler

Bon Bon's, founded in 2007, is a confectionery wholesaler, led by Yorkshire businessman, Mark Rowntree, descendant of confectionery pioneer, Joseph Rowntree. In 2018, Bon Bon's opened an additional site in Yorkshire.

Bon Bon's supplies a range of confectionery, from Belgian chocolates to boiled sweets and specialist liquorices, as well as children's sweets such as 'Traffic Light Lollies' and 'Candy Necklaces'. It repackages these sweets in small quantities and interesting packaging. Bon Bon's claims this selection is different to the mass-produced ranges found in the larger high street chains. Sweets are supplied to hundreds of high-quality independent retailers including farm shops, delicatessens and tourist attractions such as The British Museum, Tower of London and Stonehenge. Bon Bon's provides display units so these retailers can recreate the look of a traditional, old fashioned sweet shop.

"We are probably the UK's largest confectionery business, that still packs by hand. The additional space will allow us to provide more packing capacity in our existing unit and use our additional site as a distribution warehouse. Although we want to grow, we don't have mass market ambitions," said Rowntree. Bon Bon's has a total of 85 staff.

(Source: adapted from <http://www.bqlive.co.uk/food-drink/2019/01/11/news/healthy-outlook-as-latest-rowntree-confectionery-entrepreneur-expands-into-new-scheme-34762/> and <https://www.bonbons.co.uk/traditional-sweets/>)

Assess a likely trade-off for Bon Bon's of not having 'mass market ambition.'

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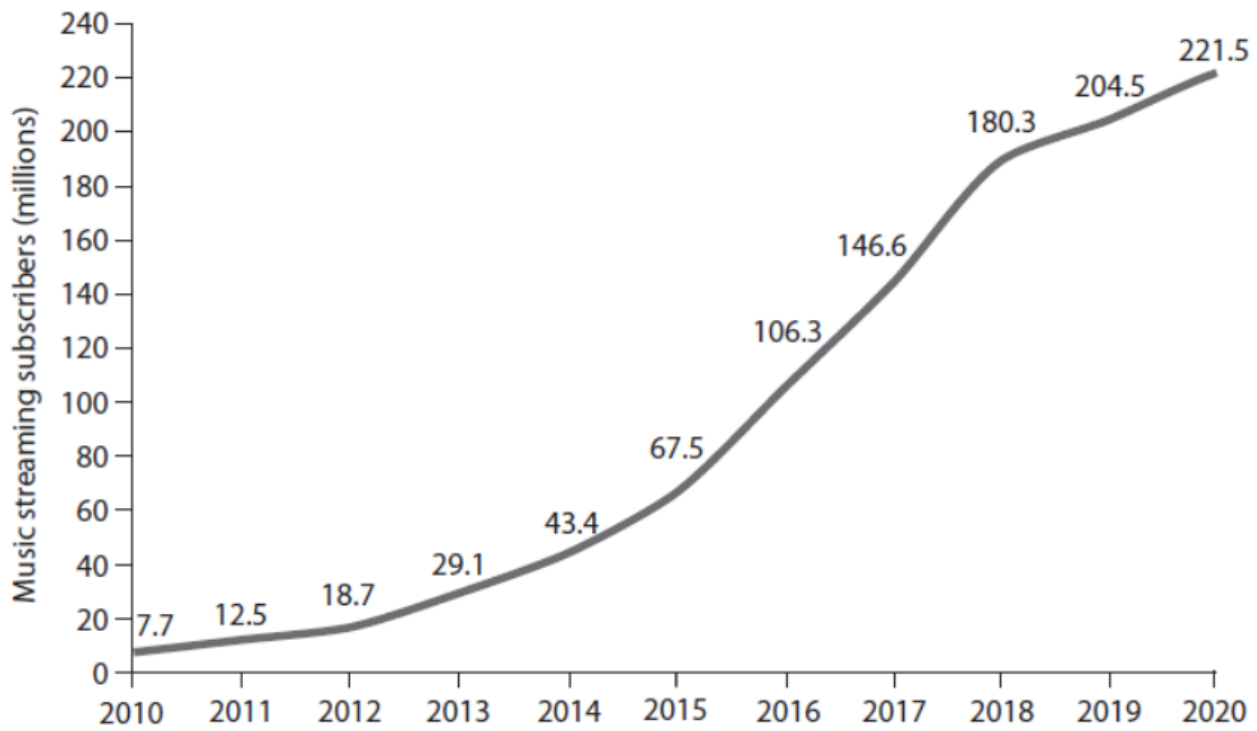
(Total for question = 10 marks)



Q3.

Extract A

Music streaming subscribers 2010–2020



Between 2010 and 2011, the number of music streaming subscribers grew by 62.34%.

- The data between 2018–2020 is forecast/projected.

(Source adapted from: © 2018 Midia Ltd)

Extract B

The music subscription market in Europe and North America 2017

Habits of music consumers have changed, as they are streaming music now instead of downloading it. Consumers are increasingly listening to music at home, by using Amazon Echo or Google Home, rather than through smartphones or laptops.

Five music subscription services were launched between 2015 and 2017, but none of these made a profit. However, businesses such as Apple, Google and Amazon can afford to operate music services at a loss.

Product development is a feature of the market. Music acts such as Coldplay and Deadmau5 have already embraced virtual reality (VR) with immersive music videos, where viewers can be part of the video.

Spotify, the largest music streaming service by number of users in the US and Europe, was launched in 2008. Its latest strategy is to add short video clips to its playlists. The clips are aimed at tempting listeners to purchase Spotify's new subscription video service. This is crucial because its existing streaming service continues to make losses.

A typical music streaming business pays over 70% of its subscription revenue to record labels and publishers. Video streaming enables Spotify to gain additional revenue from advertising. In 2018, Spotify needed to make profits as it planned to be a public limited company, through a stock market flotation.

Spotify's rival, Apple Music, has taken a different approach to video streaming, signing artists such as U2 for millions of dollars to stream exclusively for its 27 million subscribers.

(Sources based on: © 2018 Billboard and © 2018 Mansueto Ventures, LLC)



Extract C

Music streaming in the Asian market

Music streaming has been adopted more quickly in the USA and Europe, compared to the Asian market. The Asian market only generates 14% of total world digital music revenues, but is growing. Mobile phone network operators in Asia are including music streaming services as part of their price plans, but some consumers in Asian markets may not be prepared to pay high prices for streaming music.

Copyright infringement can also make operating in some Asian markets difficult. In 2016, one of the three biggest music streaming websites in Vietnam ceased trading.

(Source from: © 2018 Insider Inc.)

Assess the likely consequences of stock market flotation for a business, such as Spotify.

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(Total for question = 10 marks)

Q4.

Extract E

Mr High Flyer

Ryanair boss Michael O'Leary's entrepreneurial spirit came from his father, Timothy, who had set up a range of businesses over the years.

Whilst working in the Texas office of the world's first low-cost airline, Southwest Airlines, Michael O'Leary learned its strategy of flying into secondary airports with lower landing fees. He returned to Ireland inspired with ideas as the new Ryanair Chief Executive in 1994.

O'Leary considers himself to be abrasive, but also a visionary and humble.

"Am I cold-hearted and ruthless?" he asked himself during a TV interview. "I think in business terms, yes I am. I'm here to run a company. We must make money to survive. We must out-compete the competition".

Politico.ie. 2018

Assess two difficulties for Michael O'Leary when developing from an entrepreneur to a leader.

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Q5.

Extract F

Ebac Ltd

Ebac Ltd is Europe's leading manufacturer of bottled water coolers and domestic dehumidifiers. It is a privately owned, family-run, company. Ebac Ltd has been the market leader in Western Europe for water coolers since the mid-1990s. For the past 30 years Ebac Ltd has continued to expand its UK operations.

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Ebac Ltd employs over 200 people in the North East of the UK, where labour costs are below the UK average. Ebac Ltd retains a strong export focus with 70% of its turnover coming from sales to Continental Europe. In late 2015 Ebac Ltd began a £7m expansion project that would make it the only UK-based maker of washing machines, filling a gap left behind when Indesit moved production of Hotpoint machines to Italy. Ebac Ltd's washing machines will be sold in the UK only.

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Ebac Ltd develops innovative quality products to meet customer needs. Its employees help make this happen.

The Ebac Ltd Foundation was set up in 2012. Its principles include the commitment that all profits are invested back into the company to generate growth and more jobs, and into the community to sponsor training, education and sport.

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(Source: adapted from © Ebac.com)

Assess the likely consequences of Ebac Ltd continuing to operate as a private limited company.

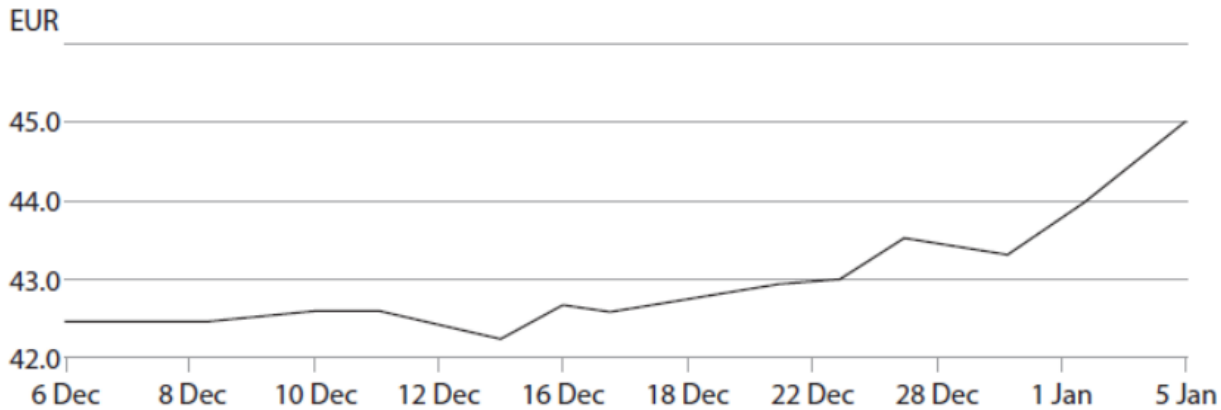
(Total for question = 10 marks)



Q6.

Extract A

The price of one gram of gold on world markets in euros (6 December 2019 to 5 January 2020)



Gold is one of the raw materials used in the manufacture of luxury watches.

(Source: adapted from <https://www.gold.org/goldhub/data/gold-prices>)

Extract B

The luxury watch market

Some of the fastest growing businesses in the luxury watch market are public limited companies (PLCs). An example is Swatch, the Swiss company that owns brands such as Omega and Tiffany. Swatch embraces the current trend of 'affordable luxury for all', where luxury products are aimed at mass markets. Its aim is to grow through expensive new product development, more stock, stores and sales.

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Private limited watch companies, such as Rolex can limit production and not have to answer to shareholders who demand growth. Rolex can control its growth and restrict its product range. This helps to build exclusivity and enables Rolex to charge over £10 000 for some models of watches.

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Luxury watches are expensive, so customers invest time and effort in researching the best price. Some retail stores attempt to justify high prices by giving customers a glass of champagne and additional attention by sales staff. While this approach still appeals to some customers, research suggests they feel that the item itself represents the luxury experience, not the process of buying it.

15

The sale of luxury watches online is growing and made up of three areas. First are online sales directly from the companies who own the brands, such as Rolex. Second, the highest sales are made by retailers who can offer lower prices. These retailers usually purchase from luxury watch brand manufacturers at up to 50% below the recommended selling price, leaving room for discounting. Third, online sellers and buyers of pre-owned luxury watches.

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(Source: adapted from <https://www.forbes.com/sites/arieladams/2017/06/23/despite-consumer-demand-the-luxury-watch-industry-will-have-to-shrink-before-it-recovers/#3c79db0f2c75>)

Extract C

Hans Wilsdorf, the entrepreneur behind Rolex

When Hans Wilsdorf was born in 1881, wristwatches were mostly regarded as women's jewellery; no one believed it possible to make watches men would want. Aged 24, and despite the lack of support from his peers, he decided to take a risk and began his plan to deliver a modern watch, aimed at the male market.

5

Wilsdorf described how, "while riding on the upper deck of a horse-drawn bus in the City of London, a genie whispered 'Rolex' in my ear". Rolex is a short word, easy to pronounce in every language, and easy to remember. Rolex had style and authority and looked clear on a watch face. Within days, Wilsdorf had registered the trademark.

Rolex's reputation grew, and in 1919 it set up operations in Geneva, Switzerland. Wilsdorf inspired and persuaded the best craftsmen and engineers in Swiss watchmaking to work alongside him. He was a brilliant leader who believed that "Rolex must continuously strive to think and act differently from the rest. Therein lies its greatest strength," he declared.

10

Wilsdorf insisted that each new watch should be a product of quality. For him, marketing was not just a way to gain sales, but a means of communicating his brand's reputation.

15

Today, Rolex is a private limited company, owned by the Hans Wilsdorf Foundation, created before Wilsdorf died in 1960.

(Source: adapted from <https://pressroom.rolex.com/en/corporate/history-and-corporate/history-of-rolex.html> and <https://www.rolex.org/perpetual/the-man-behind-the-crown>)

Assess the importance of creativity as a characteristic of the entrepreneur Hans Wilsdorf.

(10)

(Total for question = 10 marks)

Q7.

Extract E

Pure Gym founder on why he started Pure Gym

Pure Gym, which Peter Roberts started in 2009 with four sites in the UK, now has 90 gyms from Aberdeen to Southampton.

Roberts, who trained as a chartered surveyor and then became a leisure entrepreneur investing in nightclubs and hotels, got the idea for Pure Gym after spotting the low-cost gym trend in America, Germany and Scandinavia. At the time, the UK was dominated by the relatively expensive gym chains.

5

Pure Gym opened 30 new gyms in 2014 and a further 40 the following year. It has a target of having 250 to 300 gyms in the UK by 2020. Pure Gym is now Britain's largest gym chain by membership, with 450,000 members paying between £9.99 and £25 a month. It expects to overtake Virgin Active as the operator with the largest number of sites by the end of March 2015.

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Each site contains just a gym, with no swimming pools, saunas or racquet courts. Each Pure Gym typically employs just two staff, supported by up to 12 self-employed trainers. Members join online, paying monthly with no annual contracts and use PIN codes to access the gyms 24 hours a day.

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Roberts wants Pure Gym to expand overseas in Italy, Spain, and emerging markets, such as those in Asia, South America and Africa.

(Source: adapted from <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11337645/Pure-Gym-founder-on-how-he-built-Britains-biggest-gym-chain.html>, 10 January 2015)

Assess the importance of two entrepreneurial roles carried out by Peter Roberts to the success of Pure Gym.

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(Total for question = 8 marks)

Q8.

Extract C

'High frying' Norwich entrepreneurs

Lord Somerleyton and his business partner Toby Marchant opened Hot Chip in Norwich in June 2013. Within a year, it had won best chip shop in Norfolk at the National Chip Week awards.

They now plan to open a 'Hot Chip Saloon, to target the late-night economy. Lord Somerleyton said: "Before we can turn Hot Chip into a national brand we know we need to have between three and five successfully trading shops."

5

The entrepreneurs also hope to open a Hot Chip van. The idea came from visiting Great Yarmouth's chips stalls and the incredible success of chips as a meal in themselves on the continent. Lord Somerleyton said: "We went around 30 to 40 fish and chip shops in East Anglia and found as much as 50% of their sales were just portions of chips."

10

Hot Chip sales data showed that chips and cheesy chips had initially been most popular, but customers were increasingly trying more adventurous toppings and sauces, such as: hot salt beef, gherkin relish, melting Swiss cheese and mustard mayonnaise.

(Source: adapted from © 2017 Archant Community Media Ltd)

Creating and setting up a business is one role of an entrepreneur.

Assess whether this is the most important role of an entrepreneur, such as Lord Somerleyton.

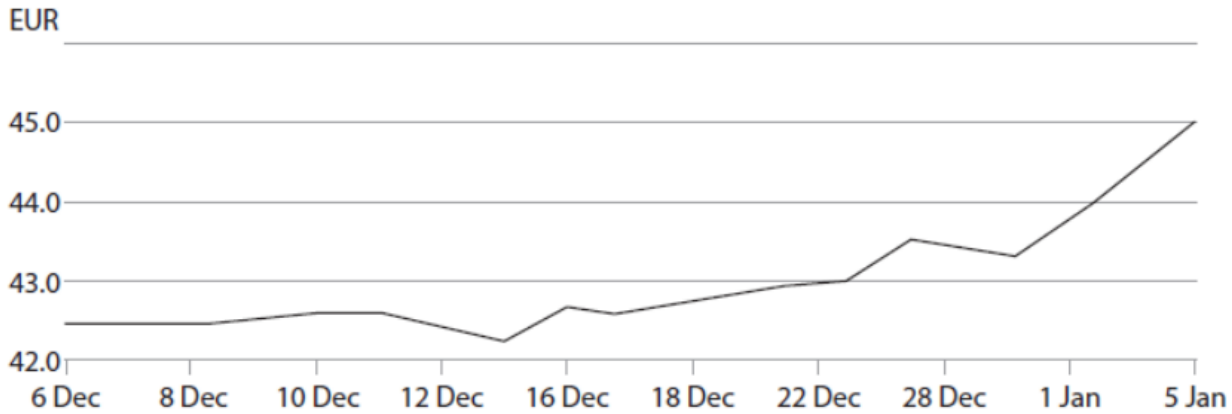
(Total for question = 12 marks)



Q9.

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In order to remain competitive in the luxury watch market, Rolex could become a public limited company or remain a private limited company.

Evaluate these **two** options and recommend which one is more likely to support Rolex remaining competitive in the luxury watch market.

(20)

(Total for question = 20 marks)

Q10.

Extract A

Basic hourly wage at UK supermarkets - June 2018

Supermarket	Basic hourly wage (£)
Aldi	8.85
Lidl	8.75
Morrisons	8.70
Asda	8.67
Marks and Spencer	8.50
Tesco	8.02
Sainsbury	8.00
Iceland	7.83

Extract B

Jack's is launched

Tesco, Britain's biggest supermarket chain, is preparing to launch Jack's, its own brand of discount stores. Tesco aims to take on the German discounters, Aldi and Lidl, that have both been increasing their market share in the UK.

Tesco is keen to emphasise Jack's 'Britishness. Advertising highlights that eight out of 10 products available in Jack's are grown, reared or made in Britain, which it claims is a higher proportion than at any other grocer. The intention is for Jack's also to be the "cheapest in town", said David Lewis, Tesco's Chief Executive. "The large scale of Tesco and the lower operating cost of Jack's allows us to be cheaper".

5

The layout of each Jack's store has taken inspiration from Aldi and Lidl. For instance, in the centre is a promotion section consisting of 24 baskets and 48 products offered on a 'When it's Gone, it's Gone' basis, similar to 'Weekly Offers' found in Lidl.

10

All advertising will be done locally, using leaflets, with promotions tailored to the local community.

(Source: adapted from <https://www.marketingweek.com/2018/09/19/tesco-jacks-discount-chain/>)

Extract C

Working at Aldi

Aldi staff mentioned 'work-life balance' in about 200 employee reviews completed worldwide. 'Long hours' were also mentioned in 110 reviews.

One anonymous employee said Aldi is pushing staff to work harder and longer: "The company will push you until you injure yourself or quit from exhaustion," he said. His claims were supported by a Store Manager: "As a manager I work my socks off with no reward or praise. Even after 11 years of service," he said. "Money, money and money. These are the only benefits for working for this company that does not think or care about managers like me who may prefer a bigger say in the way Aldi operates."

5



Another Store Manager said that Aldi's "leadership culture is built on threats and pressure" and "Area Managers would benefit from listening skills to appreciate the problems we face."

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Despite negative reviews some employees praised Aldi for its great pay and benefits. "Serious responsibility. Unparalleled learning experience. Great car. Good pay," an Area Manager commented.

(Source: The Sun / News Licensing)

Explain **one** business objective Tesco might be aiming to achieve by launching its Jack's stores.

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(Total for question = 4 marks)