Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

Surname _____

Forename(s) _____

Candidate signature _____

A-level
BUSINESS

Paper 2 Business 2

Monday 19 June 2017 Morning Time allowed: 2 hours

Materials
For this paper you must have:
- a calculator.

Instructions
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

Information
- The marks for questions are shown in brackets.
- The maximum mark for this paper is 100.

For Examiner's Use	
Question	Mark
1.1	
1.2	
1.3	
1.4	
2.1	
2.2	
2.3	
3.1	
3.2	
3.3	
TOTAL	

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Answer **all** questions in the spaces provided.

0 1 **The rise of the discount food retailers**

For many years four companies have dominated food retailing sales in the UK: Asda, Morrisons, Sainsbury's and Tesco. However, these 'big four' retailers have faced growing competition from discount retailers such as Aldi and Lidl.

Figure 1: Total UK food retail sales

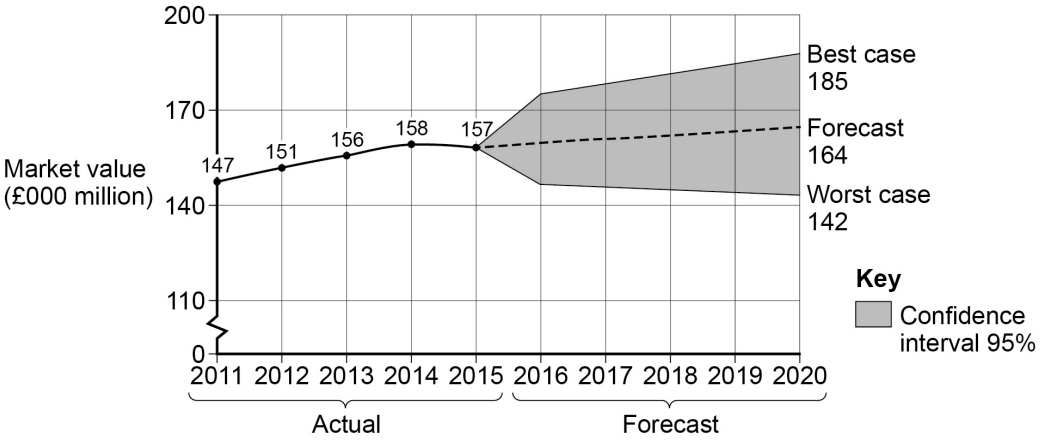

Figure 2: UK food retail sales of discount food retailers

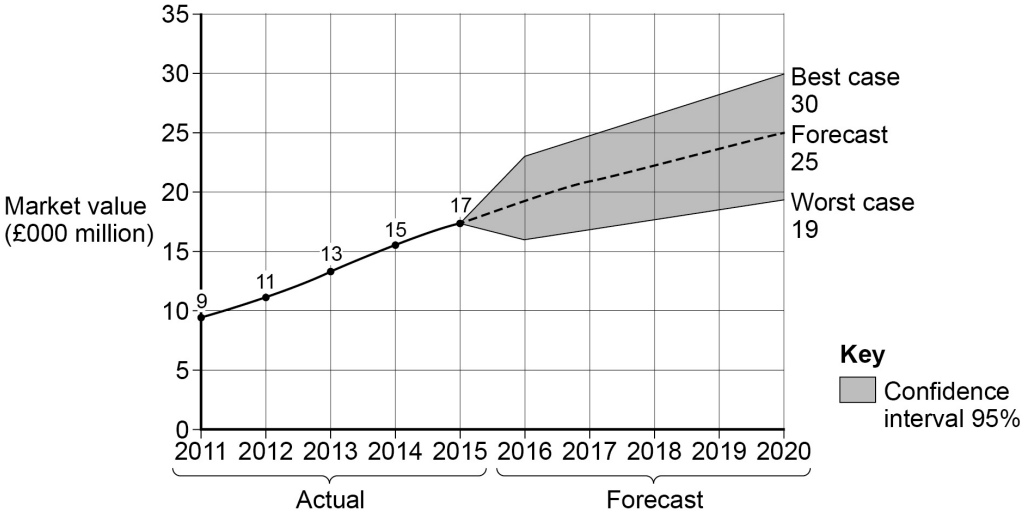

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Figure 3: A comparison of the 'big four' model with the discounter model

	The typical discounter model eg Aldi, Lidl	**'big four' model eg Tesco, Sainsbury's**
Product range in stores	Relatively small eg 800 items	Large eg 50 000 items
Brands	Large proportion of own label products traditionally targeting low to medium income earners	Large proportion of well-known brands traditionally targeting high to medium income earners
Sales of food compared to non-food items (eg clothing and health and beauty products)	80%:20%	60%:40%
Administration costs and overheads as percentage of turnover	15%	20%
Typical profit margin	3%	2%

Figure 4: Market map of the UK food retail sector

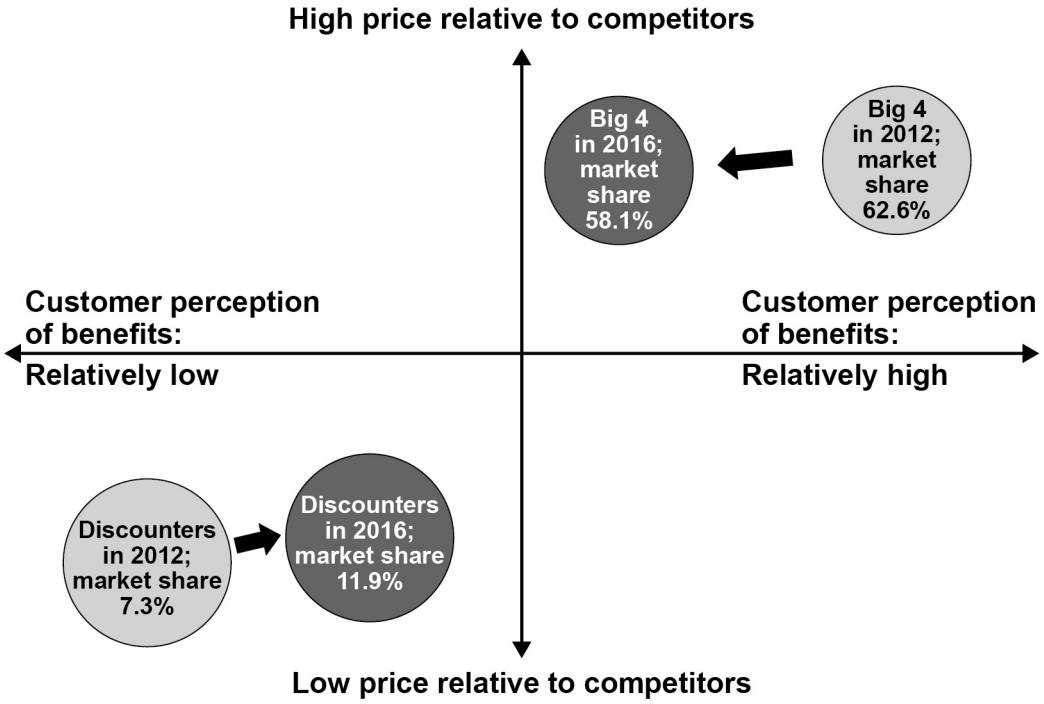

Figure 5: Extract from consumer survey:

"What benefit is most important in determining where you shop?"

Benefit	**% of replies**
I can rely on what I need being in stock	16
It has a good range of non-food products	17
It has well trained, helpful staff readily available	18
The stores are well designed and maintained	14

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Figure 6: Company and Human Resource Data

	Aldi Stores Ltd (discount retailer) 2014	**Tesco (one of the 'big four') 2014**
Turnover	£6 893 million	£ 54 443 million
Profit for the year	£250 million	£162 million
Average salary per employee	£21 272	£14 452
Total employee costs	£507 million	£6 968 million
Number of employees	23 858	482 152

0 1 . 1 Calculate the market share of the discount retailers in the UK food retail market in 2015.

[3 marks]

Market share _____

Workings _____

_____

_____

_____

_____

3

0 1 . 2 With reference to **Figure 1**, explain the meaning of 95% confidence interval in the forecast for UK food retail market in 2020.

[3 marks]

_____

_____

_____

_____

_____

_____

3

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0 1 . 3 The discount retailers are said to manage their human resources very effectively. Explain how the data in **Figure 6** supports this view. Use calculations to support your answer.

[9 marks]

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0 1 . 4 To what extent do you think the 'big four' supermarkets should change their strategies and adopt the discounter model?

[20 marks]

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0 2 Read the information below and then answer the questions that follow.

Daihatsu

Daihatsu is a Japanese manufacturer of small cars. Its customers are now able to customise their vehicles with car panels that they design for themselves online. Until recently customising cars was expensive because it required skilled craftsmen to produce individual parts.

With 3-D printing, panels can be produced quickly and cheaply. Customers ordering a Daihatsu car from their local dealership can design their own panels for the sides of the car to create exactly the look that they want. Offering more customisation is one way that car manufacturers are trying to gain a competitive advantage in a fiercely competitive environment.

Cars are a high value item for consumers and are usually bought on credit; the finance to buy the car is often provided by the manufacturer. In 2016 over 74 million cars were sold worldwide. This represents a global capacity utilisation in the car industry of only 78%. Some commentators predict global capacity utilisation in the industry will fall in the next few years and that many car manufacturers will respond to this situation by price cutting.

0 2 . 1 Explain how mass customisation benefits the shareholders of car manufacturers.

[6 marks]

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6

0 2 . 2 Analyse the likely effects of a significant increase in interest rates on the profits of car manufacturers.

[9 marks]

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Extra space

9

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0 2 . 3 Many car manufacturers are expected to respond to a fall in overall capacity utilisation in the industry by cutting prices.

To what extent is cutting prices a good way for **any** business to respond to a fall in the overall capacity utilisation in its industry?

[16 marks]

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0 3 Read the information below and then answer the questions that follow.

Kento Cola

Carbonated soft drinks (CSDs), such as cola, are non-alcoholic, fizzy beverages containing flavourings, sweeteners and other ingredients. CSDs have been criticised by some commentators for contributing to an obesity crisis. The World Health Organisation is encouraging more governments to place a tax on CSDs.

Kento Cola is a drinks manufacturer based in the UK. It is presently reviewing its portfolio within Europe, which traditionally has been its biggest market. Recently the company has also been investing more money into markets outside of Europe. For example, it is set to invest £2.4 billion in Africa by 2020. Last month Kento announced a planned merger with one of South Africa's largest bottled water and still drinks producers.

Whilst other economies are in decline or experiencing slow growth, Africa is continuing to achieve high growth rates. Consumer spending, already rising, is expected to boom between now and 2024 reaching £1.7 trillion per year in 2030. However, trying to grow in any international market brings its challenges and the many countries within Africa differ significantly – for example, socially, politically, culturally and economically as well as in terms of their competitive environment.

Figure 7: A comparison of Power Distance index, one of Hofstede's cultural dimensions, between the UK and South Africa.

The rating is an index number out of 100.

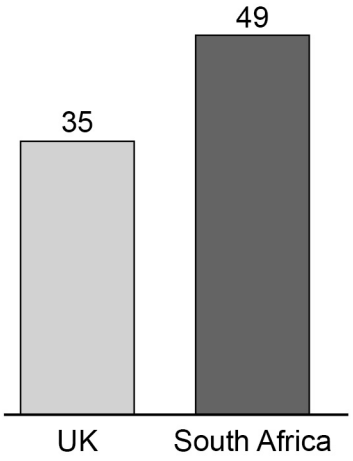

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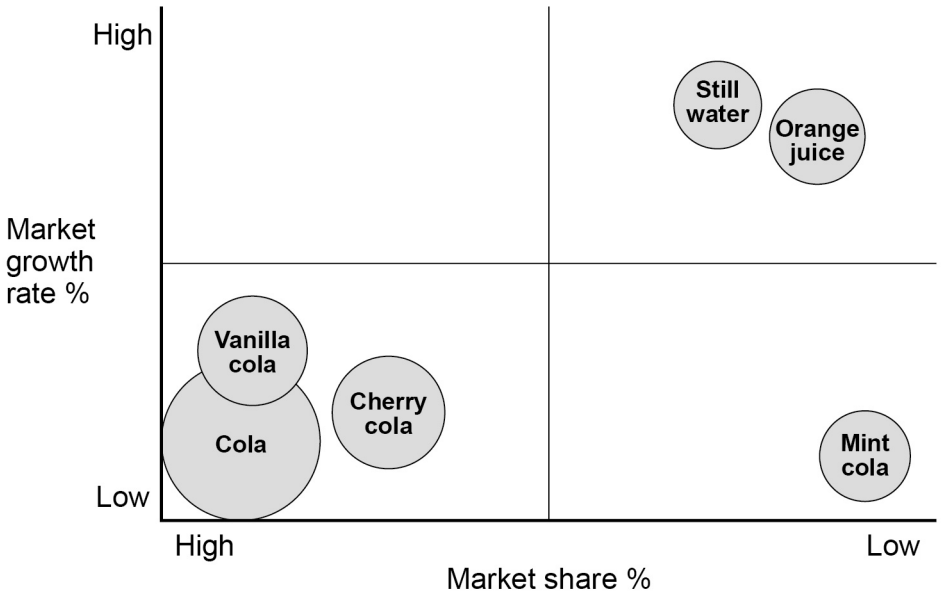
Figure 8: Kento's products in Europe



The area of the circle represents the product's revenue.

Figure 9: A comparison of Africa and Europe in 2016

	Africa	Europe
Population	1 218 million	738 million
Annual population growth	2.53%	0.06%
% population that is urban	40%	74%
Average age	19.5 years old	41.9 years old
Average annual income per person	£1 400	£29 200

Question 3 continues on the next page

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0 3 . 1 A manager from the UK is moving to South Africa to lead a team of local staff. Explain how the difference in Hofstede's cultural dimension of 'Power Distance' shown in **Figure 7** might affect her management style.

[9 marks]

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0 3 . 2 With reference to **Figure 8**, analyse the actions Kento should take regarding its product portfolio in Europe to improve its long term financial performance.

[9 marks]

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0 3 . 3 To what extent is Africa an attractive market for **all** businesses wanting to sell their products internationally?

[16 marks]

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END OF QUESTIONS

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