



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2009

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GCE Applied Business

Assessment Unit AS 3

assessing

External Influences on
the Business Enterprise

[A3B31]



MONDAY 18 MAY, MORNING

TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer **all six** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

Quality of written communication will be assessed in **all** questions, **except question 1**.

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part-question.

This paper is accompanied by a Case Study. You must **not** use your own annotated copy of the Case Study.

ADVICE FOR CANDIDATES

You are advised to take account of the marks for each part-question in allocating the available examination time.

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Answer all six questions

- 1 Identify the sector of the economy that Botanic Inns operates within, explaining the significance of that sector to the economy in Northern Ireland.
- 2 Explain **four** factors that would affect the conditions of demand for the goods and services provided by Botanic Inns. [12]
- 3 Explain **four** reasons why government intervention may be necessary in relation to the commercial operations of Botanic Inns. [12]
- 4 Botanic Inns take advantage of market opportunities. Evaluate the impact of this on **four** stakeholders. [16]
- 5 Discuss **four** factors, **excluding** takeover/acquisitions, which are likely to influence the extent to which Botanic Inns might improve competitiveness. [16]
- 6 Evaluate how much strategic takeovers/acquisitions have enabled Botanic Inns to improve their competitiveness. [20]

THIS IS THE END OF THE QUESTION PAPER



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Case Study

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A3B31CSI

Botanic Inns

Botanic Inns is a Belfast-based company which currently comprises:

- 13 pub/restaurant/hotel premises
- 2 off-sales outlets
- 500+ employees

Mr Stephen Magorrian, Managing Director of Botanic Inns, in an interview in a business journal, points out that ‘personality has always been an important feature of the pub business on these islands, with the traditional landlord or landlady often performing the role of host, friend and raconteur’. Mr Magorrian insists that ‘personality’ remains an important element in the firm’s success. This is perhaps more evident throughout the company’s portfolio of pubs, with each individual outlet retaining its own unique brand and character.

Another facet of the continued success of the business can be attributed to the quality of service provided. Mr Magorrian stated: ‘We continually strive to enhance the customer experience and we try to ensure that our standards of service are amongst the highest in the hospitality sector’.

The strategic approach employed by the Botanic Inns Group has been one of takeover, with an ongoing strategy of acquisition of key assets. The recent acquisition of two pubs, one in Newtownards and one in Downpatrick – the Whiskey Haw and Denvir’s Hotel – means that the chain now owns 13 pub, hotel and restaurant outlets, highlighting the strategic value of acquisitions to the asset portfolio. The location of business outlets is of primary importance within the hospitality sector.

Market conditions in Belfast are considered to be very strong, with the hospitality sector benefiting from the ‘peace dividend’ and resumption of normal business conditions in which to trade. Industry analysts are predicting that tourism is on an upward trend and increased numbers of people from outlying areas and tourists are making the journey into the city for a night out.

The hospitality sector faces a number of legal issues which must be successfully managed in order to ensure growth of market share and revenue. Such legal issues which have gained prominence in recent times include:

- Observing the legal age at which it is possible to sell alcohol (currently 18 years of age) to customers both within licensed premises and through off-sales outlets operated by the Botanic Inns Group.
- Observing the smoking ban in the various establishments operated by the Botanic Inns Group.
- Observing the health and safety legislation throughout the various establishments operated by the Botanic Inns Group.
- Operating all establishments in accordance with the appropriate licensing laws.

In respect of the imposition of the smoking ban, Mr Magorrian points out that: ‘... we have seen no impact on our figures from the ban ... some regulars (customers) maybe aren’t coming in as often as they did, but conversely we are seeing new customers coming into our pubs’.

In addition, Mr Magorrian states that ‘... for all pubs it has made mixed trading crucial (i.e. sale of pub grub, alcohol, and other services within an establishment). The importance of this cannot be underestimated in terms of marketing opportunities – the food element of the business has become increasingly important over time and will continue to do so into the future’.

In terms of the licensing laws, Mr Magorrian states: ‘Belfast is now an international city and is attracting more and more tourists, and in this context current opening hours at Easter are a nonsense. Easter is the first big holiday of the year and opening hours are very restricted over the Easter weekend. In a country that is increasingly diverse and multicultural, this surely cannot continue’.

Other developments within the hospitality sector include the growth of off-trade sales (i.e. off-licences). This appears to mirror a preference on the part of customers to consume more alcohol at home. In terms of market development, this represents an opportunity for Botanic Inns to increase market share. To facilitate this goal, the business has its own off-trade brand name called ‘DR:NK’. It is possible that additional off-sales outlets will be acquired to promote development of the chain.

In the long term, the pub sector faces a number of challenges. Survival of businesses will be an issue – fewer pubs are expected to exist in the future. It is a competitive industry in which it is likely that the smaller pubs will close and the larger ones will thrive. The survival of businesses will depend in part upon the level of investment undertaken, principally in terms of capital funding. The Botanic Inns Group is planning modernisation programmes at key establishments including the Fly, the Apartment, the Whiskey Haw, Denvir’s and the Parador – all aimed at improving competitiveness.

To this extent, the role of financial institutions in supporting capital development programmes will be of crucial importance.

*Source: adapted from article entitled:
‘How the glass is more than half full ... at Botanic Inns’,
Business Bite (pp 8–9, Nov. 2007 ed.), Ulster Bank, Belfast.*

