Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										

For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
TOTAL	

General Certificate of Education
Advanced Subsidiary Examination
January 2013

Business Studies BUSS2

Unit 2 Managing a Business

Tuesday 22 January 2013 1.30 pm to 3.00 pm

For this paper you must have:
- a calculator.

Time allowed
- 1 hour 30 minutes

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 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 80.
- Questions 1(c), 1(d), 2(c) and 2(d) should be answered in continuous prose. In these questions you will be marked on your ability to:
  – use good English
  – organise information clearly
  – use specialist vocabulary where appropriate.

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

1 Read the **case study** below and then answer the questions that follow.

Moving into a niche

Allday Ltd operates small neighbourhood grocery stores in London and in south-east England. The company has struggled in a highly competitive market as major supermarkets such as Sainsbury and Tesco expanded their local grocery stores (eg Tesco Express). *Allday Ltd* did not possess a unique selling point and its price competitiveness deteriorated. As a result, its market share and profitability declined.

In January 2012, the company implemented a well-publicised decision to re-brand most of its shops as unique grocery stores, selling the remainder for £19 million. *Allday Ltd* is now targeting a higher income niche market in which consumers seek 'unique groceries'. This would help *Allday Ltd* to meet its objective of increasing profitability and profits. The products sold include gourmet, vegetarian and organic foods, unusual imported foods and basic items such as bread and milk. The newly branded stores stock a narrower range of items, and shop assistants are available to provide advice on these products. The £19 million raised by the sale of some of its stores has allowed *Allday Ltd* to increase budgets for marketing and human resources.

Allday Ltd's management team believes that demand for the company's new range of products is growing and, since the start of 2012, it has ended all its sales promotions, such as discounting. At the same time, it increased advertising expenditure by 210%, including advertising in magazines selected to appeal to its new target market. Competition in this niche market is less intense and rivals tend to be smaller.

Figure 1: Data on Allday Ltd 2010 – 2012

	2010	**2011**	**2012**
Number of stores	58	58	40
Annual sales revenue (£ million)	13.89	13.41	10.00
Profit margin	3.4%	2.8%	8.8%
Number of employees leaving during the year	78	79	83
Average spending on training per employee (industry average in 2012 = £767)	£462	£459	£960
Average customer complaints per store	78	82	59

The company employed 310 people in 2011; by 2012, its workforce was 10% smaller whilst hourly wage rates had increased by 7%. As part of its move to its niche market, *Allday Ltd* decided to invest heavily in training its shop assistants in order to improve the performance of its workforce.

1 (a) Calculate the rates of labour turnover for *Allday Ltd* for 2011 and 2012.

Labour turnover 2011: ....

Workings ....

....

....

....

Labour turnover 2012: ....

Workings ....

....

....

....

(5 marks)

Question 1 continues on the next page

Turn over ▶

1 (b) Analyse the possible reasons why *Allday Ltd* changed its promotional mix from the start of 2012.

....

(8 marks)

Extra space ....

Do not write outside the box

1 (c) Do you agree that investing heavily in training its shop assistants is the best way for *Allday Ltd* to improve the performance of its workforce? Justify your view.

(13 marks)

Turn over ▶

Do not write outside the box

Extra space ....

....

....

....

....

....

....

....

....

....

....

....

....

1 (d) To what extent do you think that the advantages to *Allday Ltd* of entering the niche market for 'unique groceries' outweigh the disadvantages? Justify your decision.

....

....

....

....

....

....

....

....

....

....

....

Do not write outside the box

(14 marks)

Extra space

40

Turn over ▶

2 Read the **case study** below and then answer the questions that follow.

Thinking inside the box

Boxed Ltd manufactures a range of 29 plastic storage boxes for use at home and in offices. Following a difficult initial trading period, *Boxed Ltd* has grown rapidly, as has the market in which it trades. Over the past two years, it has won contracts to supply a number of large businesses such as the Staples Group plc. It hopes to win more.

Boxed Ltd's success depends, in part, on meeting tight delivery deadlines in an increasingly competitive market. It is also very flexible and responsive to requests from its major customers to produce different sizes and types of box, often at short notice. It is developing a reputation for consistently good quality products. In 2010, it borrowed £1.1 million to invest in new production line technology, although this led to high interest charges.

Since 2010, the company's sales revenue has increased by an annual average of 32% and this is forecast to continue. The company experiences regular shortages of capacity and often has higher production costs due to paying employees overtime pay rates and to costs associated with subcontracting. The company's rapid sales growth and changing customer needs has made it necessary for *Boxed Ltd* to choose additional suppliers.

Boxed Ltd's Directors are considering an investment of £20 million in a purpose-built factory which would double the company's production capacity. At least £10 million would have to be borrowed from the bank and the remainder raised from a share issue. Some Directors think much of this new capacity may not be utilised, at least in the short term.

One of the major challenges facing *Boxed Ltd*'s management team is to improve the level of profits earned by the company. The team is considering an immediate 10% price increase.

Figure 2: Boxed Ltd – profits and cash balance, 2010–2012

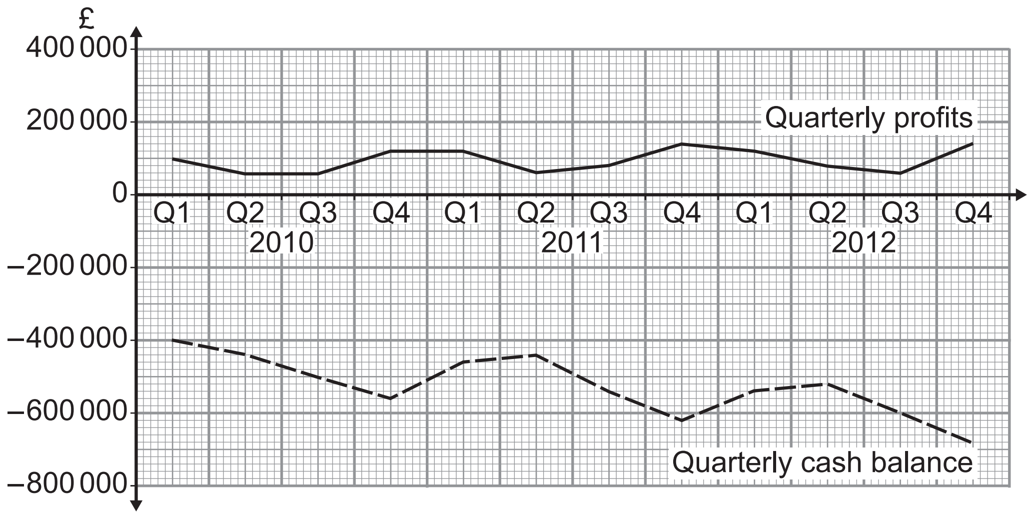

Figure 3: Boxed Ltd – key data

Average trade credit offered to major customers	60 days
Average trade credit received from suppliers	27 days
% of orders received between November and March	65%
Estimated price elasticity of demand for storage boxes (industry figure)	−0.8
Average annual increase in labour productivity 2010–2012	2.2%

2 (a) Examine the reasons why *Boxed Ltd* may have experienced cash flow difficulties since 2010.

....

....

....

....

....

....

....

....

....

....

....

....

....

....

(7 marks)

Extra space ....

....

....

....

....

....

....

Question 2 continues on the next page

2 (b) Analyse the factors that may have influenced *Boxed Ltd*'s choice of additional suppliers.

(7 marks)

Extra space

Do not write outside the box

2 (c) *Boxed Ltd*'s Directors have now made the decision to double the company's production capacity. Do you agree with this decision? Justify your view.

(13 marks)

Turn over ▶

Extra space

Do not write outside the box

2 (d) Do you think that *Boxed Ltd* should increase its prices by 10% immediately to improve the level of profits earned? Justify your view.

(13 marks)

Turn over ▶

Do not write outside the box

Extra space ....

....

....

....

....

....

....

....

....

....

....

....

....

40

END OF QUESTIONS

There are no questions printed on this page

DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED

There are no questions printed on this page

DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED