

New
Specification



Rewarding Learning

ADVANCED
General Certificate of Education
2010

Business Studies
Assessment Unit A2 1
assessing
Making Business Decisions
[AT211]



MONDAY 17 MAY, AFTERNOON

TIME

2 hours.

INSTRUCTIONS TO CANDIDATES

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

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.
Quality of written communication will be assessed in Questions **5** and **6**.
Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each question or part question.

Study the information below and answer the questions that follow.

Domino's Pizza



Domino's Pizza has its mission to be the best pizza delivery company in the world. Its culture is best summed up in a chant that's sung in stores: "Sell More Pizza, Have More Fun!"

Its priorities are to:

- recruit, recognise and retain the best people
- deliver consistently high quality food on time
- take great care of their customers
- innovate in ways that matter to their team members and customers
- ensure high image standards at their stores

Domino's Pizza was founded in the United States in 1960 by Tom Monaghan. Through franchising Tom enabled other people to invest in opening their own Domino's Pizza stores.

There are currently 526 Domino's Pizza outlets in the UK and Ireland. The costs of setting up a Domino's Pizza franchise are approximately £240,000. Franchisees often use investment appraisal methods such as **Payback** and NPV (Net Present Value) to support their application. Sometimes they also use techniques such as decision tree analysis to help inform their decisions about whether or where to invest. It is estimated that the expected returns to each franchisee will be £100,000 annually.

There is a strict application process and Domino's Pizza want highly motivated people with natural business ability. It is a difficult process to decide who is most suitable to join the Domino's Pizza franchise. A good business plan and financial backing are essential elements for any franchisee wanting to join Domino's Pizza.

Domino's Pizza offer a wide selection of food from their menu. This includes: premium pizzas, potato wedges, chicken wings, Domino's Waffles, Domino's Cookies and Chicken Kickers™. Chocolate Melt and Chicken Wings are the latest addition to its product portfolio.

At Domino's Pizza, management promise to provide and promote food choice. They provide customers with clear and accurate information about the food they sell, and use the highest quality ingredients from suppliers they know and trust. The entire organisation strives towards the highest standards of food preparation. Domino's Pizza offer guidance on allergies or intolerances and have policies designed to target specific customer groups such as those with nut allergies, vegetarians, pregnant women and those who are following a balanced diet. However, every Domino's Pizza and the vast majority of side dishes are prepared to order by hand. In addition, policies exist to minimise the risk of contamination of ingredients during food preparation.

In the past, many companies have been affected by food scares and, as a result have found it necessary to draw up contingency plans for any issues. Examples include:

- McDonald's – their Dijon mustard mayo and their Caesar dressing (regular fat) all contained a food dye that increased the risk of cancer.
- Cow and Gate – had to discontinue a biscuits range for babies which was found to contain hydrogenated fat.
- Prêt A Manger – their fresh chicken sandwich used frozen meat from Brazil.

Domino's Pizza has a customer service number which customers can use to make a complaint if they are dissatisfied in any way. The management team at Domino's Pizza strive to prepare for any crisis and are likely to undertake **contingency** planning.

Sources:

N:\case studies\BBC NEWS Health More food contaminated with dye.htm

<http://www.dominos.uk.com/>

<http://www.dominos.uk.com/franchising/>

<http://www.dominos.uk.com/aboutus.aspx>

<http://www.takeafreshlook.co.uk/foodguide.htm>

N:\case studies new\CBBC Newsround Printer Friendly Format.mht

N:\case studies\BBC NEWS England West Midlands Glass found in baby food.htm

<http://www.telegraph.co.uk/foodanddrink/foodanddrinknews/6520889/Pret-a-Manger-faces-inquiry-over-frozen-chicken-labelled-as-fresh.html>

N:\case studies\BBC NEWS UK Baby biscuits ditched over fats.htm

Candidates must answer **all** questions.

- 1 (a) With reference to Domino's Pizza explain what is meant by **Payback** as a method of investment appraisal. [2]
- (b) Calculate the Payback period in years and months for a typical franchisee of Domino's Pizza. [2]
- 2 Analyse how **contingency planning** could benefit Domino's Pizza. [7]
- 3 Discuss the benefits and limitations to Domino's Pizza of its management team using a Boston matrix as a decision-making tool. [15]
- 4 Evaluate the advantages and disadvantages of Payback and NPV as methods of investment appraisal to a business such as Domino's Pizza. [15]
- 5 Evaluate decision trees as a tool to help with the decision of whether or not to allow a franchisee to buy into the franchise. [19]
- 6 Evaluate the importance to a potential franchisee of Domino's Pizza drawing up a business plan. [20]