



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2010

Business Studies

Assessment Unit AS 1

assessing

The Competitive Business

[AT111]

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FRIDAY 11 JUNE, AFTERNOON

TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

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

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

Quality of written communication will be assessed in question 1 parts **(d)** and **(e)** and question 2 parts **(d)** and **(e)**.

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 in allocating the available examination time.

1 Study the information below and answer the questions that follow.

Greggs



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Greggs, the bakery chain, is planning to invest in around 600 new shops in the UK over the next six or seven years, with 50–60 stores planned for 2010. The expansion drive will cost between £50m and £60m per year. Greggs has performed well during the recession, **adding value** by producing a range of traditional foods at competitive prices. It has placed greater emphasis on attracting male customers with its ‘food-on-the-go’ product range.

Greggs, the largest food-on-the-go operator on the High Street, already has more than 1400 outlets nationwide, many strategically located where consumers work and travel. The second biggest bakery chain in the UK is Sayers with 150 stores. Although there are more than 3000 independent bakeries in the UK, Greggs offers prices that most cannot match.

Independent bakeries generally use **batch production** methods to bake relatively small quantities. Scott Jefferson, Marketing Director of Greggs, describes how Greggs differs; “Because we make the vast majority of what we sell, we can absolutely control the costs all the way through.” The business has over five million customers each week.

Although Greggs sells a wide variety of products – sandwiches, savouries, bread and cakes, along with regional specialities, it continues to expand its range. It uses a variety of market research methods to obtain customer feedback. Recently, the Chilli Steak Lattice was developed in response to changing customer tastes. Extensive taste tests were conducted at bakeries nationwide to ensure the flavour was right. Graeme Nash, Brand Marketing Manager from Greggs says, “We listen and are able to respond quickly to customer feedback.”

*Adapted from “Greggs savours the taste of million mince pies a week” – The Times 14th January 2010, www.greggs.co.uk/about,
“How did Greggs conquer the High Street” – www.news.bbc.co.uk/1/hi/magazine/8330573.stm*

- (a) Explain what is meant by **adding value**, using an example from the case study to illustrate your answer. [4]
- (b) Explain what is meant by **batch production**, using an example from the case study to illustrate your answer. [4]
- (c) Analyse how Greggs seeks to achieve competitive advantage in its market. [8]
- (d) Discuss the advantages and disadvantages to a business such as Greggs of deciding to use internet surveys and focus groups as market research methods. [12]
- (e) Evaluate the implications for Greggs of its plan to invest in 50–60 new stores in the UK during 2010. [12]

2 Study the information below and answer the questions that follow.

Nestlé



Nestlé employs almost 7000 people across 23 sites in the UK and Ireland. It manufactures a wide product portfolio which includes some of the UK's most popular brands, such as **Nescafé**, **KIT KAT**, **Carnation**, **Shredded Wheat**, **Buxton Water**, **Ski** and **Bakers Dog Food**. It is estimated that around 95% of households in the UK consume Nestlé products.

KIT KAT, Nestlé's biggest-selling chocolate biscuit, is manufactured in York. Approximately one billion **KIT KAT** bars are sold in the UK every year. The product, originally called Chocolate Crisp, was developed as a four-finger wafer bar in 1935. Since then sales have grown steadily. There have been many variations of **KIT KAT** produced and currently it is possible to buy:

- Four-finger milk and dark,
- Two-finger milk, mint, orange and caramel,
- Chunky milk and caramel
- **KIT KAT** Senses Caramel Cream.

KIT KAT was first advertised on television in 1957 using the iconic line "*Have a Break – Have a KIT KAT*". In 2006, Nestlé moved production of another famous brand, **Smarties**, from the York factory to Germany, in order to enable **KIT KAT** production facilities to be modernised. Many parts of the manufacturing process are now fully automated. Nestlé states that it favours long-term business development over short-term profit.

The UK chocolate market is currently dominated by three large manufacturers. Although Nestlé managed to achieve a 20.4% market share in November 2009, it lags behind rivals Mars and Kraft. In such a market structure, the importance of getting the marketing mix right is crucial.

© "The "KIT KAT" name and image is reproduced with the kind permission of Société des Produits Nestlé S.A."

- (a) Outline what is meant by the product element of the marketing mix, using an example from the case study to illustrate your answer. [4]
- (b) Explain **two** reasons why a business such as Nestlé needs to continually invest in new machinery. [4]
- (c) Analyse how the concept of the product life cycle might help with decision-making in a business such as Nestlé. [8]
- (d) Evaluate the usefulness of price elasticity of demand, to Nestlé, when making business decisions in relation to KitKat. [12]
- (e) Discuss the implications for Nestlé of operating in a market currently dominated by three large chocolate manufacturers. [12]

THIS IS THE END OF THE QUESTION PAPER

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