



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2011

Business Studies

Assessment Unit AS 1

assessing

The Competitive Business

[AT111]



MONDAY 10 JANUARY, 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 (c), (d) and (e) and question 2 parts (c), (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.

Easter sales surge following price cuts

Retail sales surged over the last Easter period at the fastest rate in nearly four years as shoppers took advantage of supermarket price wars. Market research by the British Retail Consortium indicated that total sales jumped by 6.6%, the biggest increase since April 2006. The price cuts represented a desperate attempt by businesses to persuade consumers to spend during a period of depressing weather. "It's as vicious as I've even seen it," said one leading retailer. "Business is tougher . . . There is a huge fight for market share."

Sainsbury offered half-price wine and half-price lamb, gammon and pork joints. Tesco ran promotions on salmon and lamb and slashed the price of many non-food items, including electrical goods. Debenhams held a half-price sale while Argos cut the price of many popular television sets by up to one third.

Food prices fell to the lowest level in three years in March. However, Helen Dickenson, Head of Retail at KPMG, said that retailers could struggle to keep cutting prices. "How long they will be able to sustain this, given the pressure on margins, is debatable," she said. Also, ". . . concern about the future continues to weigh on consumers' minds and the outlook for spending remains uncertain".

Analysts are expecting good news from Marks and Spencer after shoppers rushed out to buy coats and knitwear during the prolonged winter snow and freezing conditions. However, the outlook is less certain elsewhere. Organic food and drink sales fell last year for the first time since 1993 as consumers cut back on these, often expensive, products during the recession. A report by the Soil Association showed that organic sales dropped 12.9%, down from £2.1 billion to £1.84 billion. It suggested that supermarkets had reduced the number of ranges and space given to organic items although it predicted that sales would rise between 2% and 5% over the next year.

*Adapted from "Nervous retailers slash prices over Easter break" –
http://business.timesonline.co.uk/toll/business/industry_sectors/retailing/article70867734.ece
and "Early Easter gives retail sales a chocolate rush" –
http://business.timesonline.co.uk/toll/business/industry_sectors/retailing/article7095776.ece*

- (a) Explain the importance of market growth to a producer of organic food. [4]
- (b) Explain what is meant by a niche market, using an example from the case study to illustrate your answer. [4]
- (c) Using demand and supply curves, analyse the possible effect of the severe winter weather on the equilibrium price and quantity of coats. [8]
- (d) Discuss the advantages and disadvantages to a business such as Marks and Spencer of conducting primary market research. [12]
- (e) Evaluate price cutting as a strategy for increasing sales in a supermarket such as Sainsbury. [12]

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

Dyson Limited (Ltd.)

Dyson Ltd. has just reported that its operating profits have more than doubled to £190 million in 2009, with sales up by 23% to £770 million. Chief Executive of Dyson Ltd., Martin McCourt, says, "Our success is down to new ideas and the work of teams around the world". He stated that the company would remain private for the foreseeable future.

Sir James Dyson, founder of the company with an estimated personal wealth of more than £920 million, claims the success is due to consumers being prepared to pay for quality and invention, even in a recession. He, his wife and three children own 100% of the company. "We are private for one very good reason," he says. "I can concentrate on what is best for the company long-term."

Dyson Ltd. currently employs more than 2500 staff in 49 countries, producing a range of innovative, high quality products. It holds the second largest number of patents for new products in Britain after Rolls-Royce, and is planning to double the number of engineers and scientists based at the company headquarters in Malmesbury.

Dyson Ltd. initially became famous for its brightly coloured vacuum cleaners, which made dustbags unnecessary by using "root cyclone" technology to spin dust out of the air. The Dyson Dual Cyclone became the best selling vacuum cleaner in the UK within 18 months of its launch. Dyson also manufactures a hand-drier, the Airblade, which sells for around £600. A washing machine priced at £799 was discontinued in 2005 after making a loss of £90 million.

The latest product is the Air Multiplier, a bladeless fan, which produces a more constant flow of air than traditional fans. Priced at £199 it is clearly aimed at the top end of the market. Although the fan cost Dyson Ltd. £8.5 million to develop, over four years, it has already captured 64% of the Australian market.

*Adapted from Sir James Dyson – http://business.timesonline.co.uk/toll/business/industry_sectors/engineering/article7061037.ece
Dyson Floating on air with sale propelled by bladeless fan – http://business.timesonline.co.uk/toll/business/industry_sectors/consumer_goods/article7137547.ece
Dyson announces 350 new engineering jobs in Britain – <http://guardian.co.uk/business/2010/apr/26/dyson-recruit-350-engineers>
Dysons Profits rise to £190m – <http://www.guardian.co.uk/business/2010/may/26/dyson-profits-rise>*

- (a) Explain **two** ways by which Dyson Ltd. could measure the quality of its products. [4]
- (b) Explain what is meant by limited liability, using an example to illustrate your answer. [4]
- (c) Analyse the advantages to Dyson Ltd. of producing a range of different products. [8]
- (d) Discuss the arguments for and against Dyson Ltd. becoming a public limited company. [12]
- (e) Evaluate the advantages and disadvantages to a business such as Dyson Ltd. of becoming ISO 9000 certified. [12]

THIS IS THE END OF THE QUESTION PAPER

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