



ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2013

Business Studies

Assessment Unit AS 1

assessing

The Competitive Business

[AT111]

WEDNESDAY 12 JUNE, AFTERNOON

MV18

TIME

1 hour 30 minutes, plus your additional time allowance.

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 at the end of each question 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.

The Calendar Market

September marks the beginning of the calendar industry's year as manufacturers launch their New Year editions ahead of the Christmas market. They make ideal gifts, are generally affordable and cover a wide variety of themes.

The latest edition of last year's best-selling title in the UK, the official Sir Cliff Richard calendar, has just been launched. It will have to compete against numerous others, featuring pop stars, football teams and celebrities. Also popular are calendars featuring dogs, cats, meerkats, steam railways and even goats in trees.

It seems amazing that such a low-tech product has survived when online calendars are available to all and smartphones now come equipped with personal diary planners. Wander through any shopping centre though, and it quickly becomes apparent that traditional calendars remain popular. One retailer alone, Calendar Club, expects to sell four million calendars in the UK this coming year. However, in the USA, technology has had an impact with sales down 28% between 2005 and 2009.

Getting the price of calendars right is extremely important, as is taking advantage of unexpected opportunities which come along, such as a team's success. Calendar sales vary throughout the year and some retailers attempt to use price elasticity of demand to help them with decision making.

Laurence Prince, founder of calendar manufacturer Danilo, highlights the importance of forward planning in his

business. Staff have to estimate more than twelve months in advance which calendar themes will be the biggest sellers the following Christmas.

- (a) Explain **two** reasons why a calendar manufacturer should undertake market research. [4]
- (b) Explain what is meant by market segmentation, using an example from the case study to illustrate your answer. [4]
- (c) Use demand and supply curves to analyse how the market for 2012 calendars might have changed between December 2011 and August 2012. [8]
- (d) Discuss the arguments for and against a calendar manufacturer investing in new printing machinery. [12]
- (e) Evaluate the usefulness of price elasticity of demand to a business such as Danilo. [12]

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

Kingfisher plc

Kingfisher plc is Europe's leading home improvement retail group, operating nearly 900 stores in eight countries in Europe and Asia. It serves over six million customers in-store every week, ranging from everyday DIY customers to trade professionals. The business benefits from having so many products common across international markets, giving rise to global sourcing and buying power. This allows it to innovate faster and keep prices low for customers.

B&Q is one of a number of businesses owned by Kingfisher plc. B&Q stocks over 40 000 products and has about 330 stores in the UK and Ireland as well as having an extensive company website. It strives to offer everything customers need to successfully achieve their home improvements and complete their DIY projects. B&Q's mission is to help people create homes to be proud of.

In July 2011, the Office of Fair Trading (OFT) gave the go-ahead for Kingfisher plc to purchase 30 stores belonging to Focus DIY Stores for £23 million. Focus stores had been threatened with closure after its business had taken a downturn. Kingfisher plc stated that it intended to refit the Focus stores and open them as new B&Q stores. During its inquiry, the OFT found that the purchase of 20 of the stores would not create any competition problems while in the case of the other 10, there was no alternative purchaser able to improve the competitive outcome.

Ian Cheshire, Chief Executive of Kingfisher plc, said "This is a good opportunity for us to accelerate our previously

announced plans to expand B&Q into carefully targeted UK locations where we currently have no store representation. This will bring better choice and lower prices to customers and provide secure jobs and career prospects in these communities.” News of the deal caused Kingfisher plc shares to rise in price on the London Stock Exchange.

- (a)** Explain what is meant by internal economies of scale, using an example from the case study to illustrate your answer. [4]
- (b)** Explain the role of the Office of Fair Trading (OFT), using an example from the case study to illustrate your answer. [4]
- (c)** Analyse the factors that might affect productivity within a business such as B&Q. [8]
- (d)** Discuss the advantages and disadvantages to a business such as Kingfisher plc of operating as a public limited company. [12]
- (e)** Evaluate whether a business such as B&Q should engage in e-commerce. [12]

THIS IS THE END OF THE QUESTION PAPER

SOURCES

Pg 3-4, Q1 The Calendar Market Text, © from BBC News at bbc.co.uk/news

Pg 6-7, Q2 Adapted from: 'Kingfisher swoops on 31 of struggling Focus DIY stores' at <http://www.guardian.co.uk/business/2011/may/06/kingfisher-buys-31-focus-diy-stores>, Kingfisher – at a glance at http://www.kingfisher.co.uk/files/pdf/at_a_glance.pdf and press release © Crown copyright – The Office of Fair Trading, B&Q owner Kingfisher buys 31 Focus DIY stores © from BBC News at bbc.co.uk/news

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