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# A-level BUSINESS

Paper 2 Business 2

Monday 3 June 2019

Afternoon

Time allowed: 2 hours

## Materials

For this paper you must have:

- a calculator.

## 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 answer 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 100.

| For Examiner's Use |      |
|--------------------|------|
| Question           | Mark |
| 1.1                |      |
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**7132/2**

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

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Read the information below and then answer the questions that follow.

**Market research data on the UK Ready to Eat (RTE)  
breakfast cereals market**

**Appendix A** Sales of the largest four manufacturers in the UK RTE breakfast cereal market in 2017

Appendix A cannot be reproduced here due to third-party copyright restrictions.

**Appendix B** Index of UK retail sales of RTE breakfast cereals, by value and volume, 2018–2023

Appendix B cannot be reproduced here due to third-party copyright restrictions.



**Appendix C** Percentage of survey respondents selecting product features they think are important when choosing an RTE breakfast cereal

Appendix C cannot be reproduced here due to third-party copyright restrictions.

Sample: 1762 internet users aged 16+ who typically eat RTE breakfast cereal

**Appendix D** Percentage of market research survey respondents agreeing or disagreeing with a statement relating to RTE breakfast cereals

Appendix D cannot be reproduced here due to third-party copyright restrictions.

Sample: 1762 internet users aged 16+ who typically eat RTE breakfast cereal

**Appendix E** Data on Kellogg's global sales and advertising spending

Appendix E cannot be reproduced here due to third-party copyright restrictions.

Turn over ►



0 1 . 1

'The data in **Appendix E** shows that the fall in advertising spending by Kellogg's from 2013 to 2017 has caused lower sales.'

Explain why this statement might **not** be correct.

[2 marks]

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**Appendix B** shows the actual and forecasted data for the value and the volume of sales of RTE breakfast cereals between 2018 and 2023.

Explain how it is possible for the value of sales to increase when the volume of sales is falling.

[2 marks]

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Use **Appendix A** to calculate the combined market share of the largest four manufacturers of RTE cereals.

[3 marks]

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01.4

Analyse how the combined market share of the largest four manufacturers in the UK RTE breakfast cereal market might affect the threat of entry by other businesses into this market.

[9 marks]

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Kellogg's is developing a new RTE breakfast cereal for the UK and has examined the market research data in **Appendices A to E**.

Do you think that the use of this market research will guarantee that this new product achieves high sales? Justify your answer.

**[16 marks]**

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Read the information below and then answer the questions that follow.

### **WeRide plc**

WeRide (WR) is a taxi business. It has an app that allows its passengers to find and book the nearest driver themselves. WR has grown quickly and its service is now available in over 400 cities in 60 countries. It employs its taxi drivers on flexible employment contracts.

Stricter laws are threatening WR's growth in the taxi market in some locations. For example, several cities have:

- imposed limits on the number of new licences for all taxis in order to reduce congestion and pollution
- banned WR because of concerns that its vehicles do not meet new safety regulations.

In 2018, WR announced a change to its future strategy. Instead of trying to grow its taxi business further, WR intends to invest several million pounds in developing a rental service for electric bicycles. This will be delivered through its app.

WR's Chief Executive said that individual methods of transport, such as electric bicycles, were better suited to travelling around cities than cars these days. She recognises that the move into the rental of electric bicycles might damage short-term profits, but thinks it is the right long-term strategy for the business.

Although the profit margin on an electric bicycle ride will be less than a taxi ride, WR's Chief Executive believes that the profits from electric bicycles will eventually be higher than from taxis. However, some investors are concerned about the impact on dividends of the decision to move into electric bicycles.



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WR has made a strategic decision to move into electric bicycle rentals.

Analyse the possible impact of this on the market capitalisation of the company.

**[9 marks]**

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WR employs its taxi drivers on flexible employment contracts.

Analyse **one** advantage and **one** disadvantage of this for the business.

**[9 marks]**

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Read the information below and then answer the questions that follow.

### **Galin plc**

Galin is a large multinational company that sells products in 10 different categories, including fabric care (eg washing powder), home care (eg furniture polish) and hair care (eg shampoo) products. It has 50 different brands and in 2018 achieved global sales of \$60 billion.

Galin has chosen to have a regional organisational structure, dividing the world into six regions: North America, Europe, Asia, Latin America, the Middle East and Africa. There are major differences between these regions: for example, in terms of market conditions, labour markets and economic factors.

In 2018 Galin invested 3% of its sales revenue into research and development (compared with an industry average of 1%) and owned 55 000 patents. Its new products achieve high profit margins. When developing products, Galin encourages collaboration between people in different jobs.

An objective of the company for 2019 is to increase labour productivity.







03.2

Analyse why Galin has chosen a regional organisational structure rather than a functional one.

**[9 marks]**

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Galin wants to increase labour productivity.

To what extent do you think that attempts by businesses to increase labour productivity will be welcomed by employees?

**[16 marks]**

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**END OF QUESTIONS**



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