

**Answer EITHER Question 1 OR Question 2.
Write your answers in the spaces provided.**

If you answer Question 1 put a cross in this box .

Evidence for use in answering Question 1

Evidence A

Retailing squeeze forces closures at Northern Foods

Northern Foods, supplier of chilled and frozen ready meals, axed more than 1000 jobs yesterday, closing two factories as part of a cost cutting drive at the business. The company warned that trading remained “extremely competitive” as the major supermarkets continued their squeeze on suppliers’ prices. John Hannett of the trade union USDAW said: “This announcement has left the workforce stunned. We want to find out why this decision has been taken”.

News of the closure came as Northern Foods reported improving sales. However, the company said its costs, from materials to labour, were rising at faster levels than its sales. This year’s poor harvest will put further pressure on raw material costs.

The chief executive has cut 30 senior management posts and streamlined the company’s organisation. This and other cost cutting initiatives will save £10m a year and help to increase operating profit. The City responded positively to the news. Shares in Northern Foods rose by 5.5p to 150p.

(Source: adapted from Rachel Stevenson, *The Independent*, 29 September 2004)

Evidence B

Northern Foods describe their Markets

The challenge for successful food manufacturers is to continue to develop products which match the needs and lifestyles of consumers. Increasingly busy lifestyles have led to a reduction in the amount of time consumers choose to spend in the kitchen and an increase in the number of snacks eaten outside the home.

Rising demand for convenience and ‘snacking’ foods is driving growth in our core market segment. The company is seeking to focus on premium quality and taste for the high added value product markets.

Customer focus and market orientation is central to building relationships with our retail customers. We continue to develop partnerships with the UK’s major food retailers. Marks & Spencer, Tesco, Asda, Sainsbury’s and Morrisons accounted for 70 per cent of their total sales.

(Source: adapted from www.northern-foods.co.uk)



1. (a) Explain what you understand by:

(i) 'cost cutting drive' (Evidence A, line 2)

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(ii) 'operating profit' (Evidence A, line 12)

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(iii) 'market segment' (Evidence B, line 6)

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(b) Briefly explain why the share price rose despite Northern Foods' apparent difficulties.

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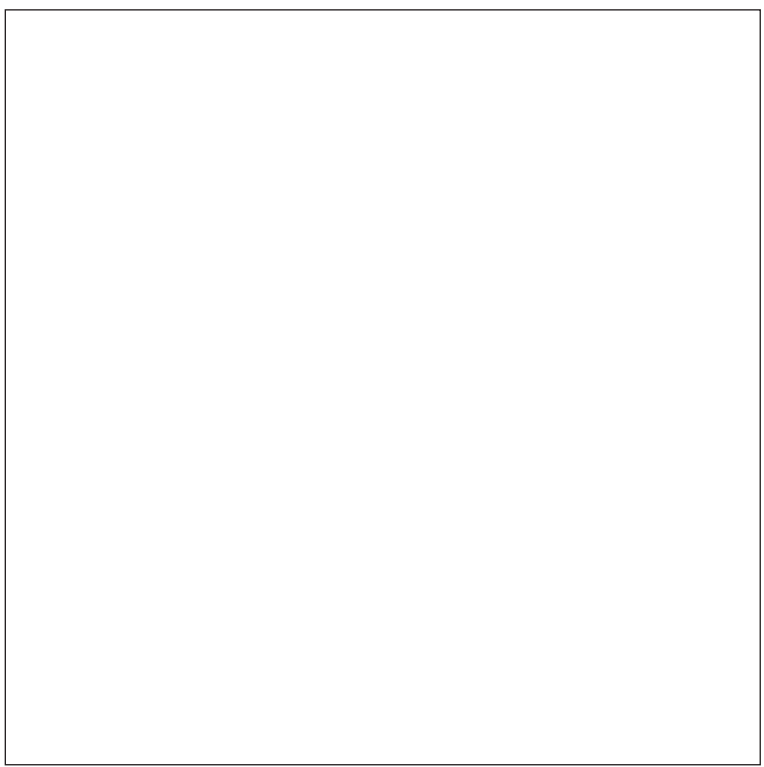
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(c) Using a suitable diagram illustrate and explain why "This year's poor harvest will put further pressure on raw material costs" (Evidence A, line 9).



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(d) Examine **two** ways in which Northern Foods may add value.

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(e) Assess the possible implications for Northern Foods developing closer relationships with the UK's major food retailers.

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(Total 30 marks)

Q1

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**Answer EITHER Question 1 OR Question 2.
Write your answers in the spaces provided.**

If you answer Question 2 put a cross in this box .

Evidence for use in answering Question 2

Evidence A

Sony to axe 10,000 jobs worldwide

Once the dominant force in consumer electronics and manufacturing markets with products including the Trinitron TV and the Walkman, Sony has seen its rivals make inroads with new innovative products.

It has fallen behind Matsushita Electric Industrial and Sharp Corporation in flat TV screens, while its Walkman products appear old and tired compared to Apple's iPod player, which has proven highly popular in Japan. 5

In July, it cut its operating profit forecast for 2005-06 to 30bn yen, which would give it a profit margin of less than 1%

The company is in the final year of a three-year restructuring plan, which aims to slash fixed and variable costs by 330bn yen by rationalising production, streamlining procurement and cutting around 10,000 jobs. 10

Adapted from Mark Tran Thursday September 22, 2005 *Guardian Unlimited*

Evidence B

500,000 PSP consoles sold in two days

7 April 2005 19:26 by Dela.

Sony has released figures for the sales of their Playstation Portable (PSP) in the United States. The PSP (a hand-held games console which can also play movies and music) managed to sell half a million units in just two days. In the first week it generated over \$150m of sales.

The PSP hit stores in Japan late last year, but only went on sale in the United States in March. The initial number of PSPs available in the U.S. was 1 million. Sony has delayed the launch of the PSP in Europe until September in order to cope with the demand in the U.S. market. 5

Adapted from News archive www.afterdawn.com



2. (a) Explain what you understand by:

(i) 'markets' (Evidence A, line 1)

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(ii) 'profit margins' (Evidence A, line 8)

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(iii) 'variable costs' (Evidence A, line 10)

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(b) Briefly explain why Sony would want to reduce its fixed costs.

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(c) Briefly examine two approaches Sony might adopt when launching a new product.

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(d) Examine the importance of entering new markets for a company like Sony.

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(e) Assess the possible trade-offs involved for Sony in delaying the European launch of the PSP.

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(Total 30 marks)

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Answer EITHER Question 3 OR Question 4.

3. (a) Explain the likely effect of redundancies on worker motivation for firms such as Northern Foods. **(8)**

(b) Assess the role of a trade union in protecting workers' interests. **(12)**

(Total 20 marks)

Q3

OR

4. (a) Explain the likely consequences of shifts in competitive advantage for a firm such as Sony. **(8)**

(b) Assess the implications of market orientation for firms such as Sony. **(12)**

(Total 20 marks)

Q4

**Indicate which questions you are answering by marking the box (☒).
If you change your mind, put a line through the box (☒) and then indicate your new question with a cross (☒).**

Chosen question number: **Question 3** **Question 4**

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