

Centre No.					Paper Reference	Surname	Initial(s)
Candidate No.					6 3 6 1 / 0 1	Signature	

Paper Reference(s)

6361/01

Edexcel GCE

**Economics and Business Studies
(Nuffield)**

Advanced Subsidiary

Unit 1 – Objectives (Module 1)

Friday 8 June 2007 – Afternoon

Time: 1 hour 15 minutes

Examiner's use only

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Team Leader's use only

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Question Number	Leave Blank
1	
2	
3	
4	
Total	

Materials required for examination

Nil

Items included with question papers

Nil

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature.
 Check that you have the correct question paper.
 Answer **TWO** questions. You must answer EITHER Question 1 OR Question 2 and EITHER Question 3 OR Question 4.
 Write your answers in the spaces provided in this question paper.
 Indicate which question you are answering by marking the box (X).
 If you change your mind, put a line through the box (X) and then indicate your new question with a cross (X). Do not use pencil. Use blue or black ink.

Information for Candidates

The marks for the various parts of questions are shown in round brackets: e.g. (2).
 The total mark for this paper is 50.
 There are 20 pages in this question paper. Any blank pages are indicated.

Advice to Candidates

You will be assessed on your ability to organise and present information, ideas, descriptions and arguments clearly and logically, taking into account your use of grammar, punctuation and spelling.

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Turn over



**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

UK shoe industry dealt another blow

Another blow was dealt to the UK shoe industry yesterday as Clarks closed one of its last two factories to concentrate on more imports from the Far East.

Seventy jobs will go at the factory near Ilminster, Somerset. The company used to have 15 factories across the UK, it now has one remaining factory at Millom, Cumbria, which employs 37 people.

5

Most of Clarks' shoes are now made in China and Vietnam, which bosses say is essential if the firm is to keep up in a competitive market. Spokesman John Keery said: "The cost of manufacturing in the UK has increased over the last 20 years, and we have been able to source our shoes cheaper in the Far East".

Adapted from http://www.somerset4u.com/news/news_19.htm [02 April 2005]

Evidence B

Clarks stumbles after sales blunder

Clarks, Britain's biggest footwear brand, has suffered its first sales setback in a decade, after facing strong competition from other retailers and misjudging the market.

Clarks' market share slid by 0.6 of a percentage point due to increased competition from supermarkets, discount stores and fashion outlets such as New Look and Oasis, which have added footwear to their range. This has meant that pre-tax profits dropped to £72 million last year on a turnover of £921 million.

5

Roger Pedder, the chairman, who will step down at the private limited company's annual meeting next week, said Clarks had suffered from a market in which footwear prices had fallen back by 3 per cent.

Peter Bollinger, the chief executive, told *Drapers*, the fashion trade journal, that Clarks had made "errors in product mix, styling and consumer focus", due in part to poor market research. He said that its spring range for women last year had focused too much on smart merchandise and not enough on casual, comfortable shoes.

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Adapted from *The Times* 28 April, 2006 by Sarah Butler



1. (a) What is meant by:

(i) 'competitive market' (Evidence A line 7).

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(2)

(ii) 'brand' (Evidence B line 1).

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(2)

(iii) 'private limited company' (Evidence B line 7).

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(2)



(b) Calculate and comment briefly on Clarks' profit margin in 2005.

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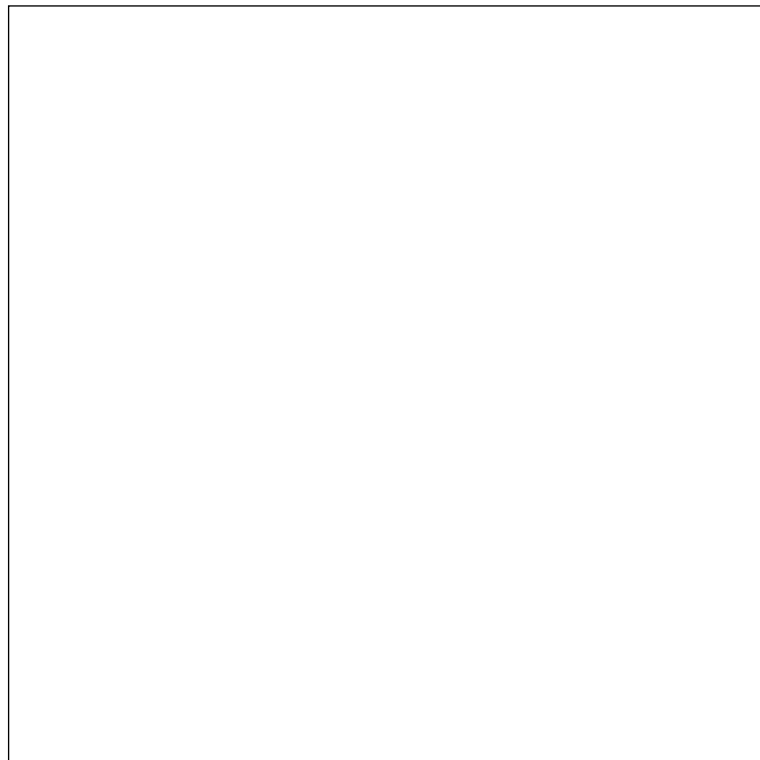
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(4)

(c) Using a suitable diagram illustrate **and** explain the likely effects of increased competition on Clarks' profitability.



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(e) Evaluate **two** ways in which Clarks might increase their sales.

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Q1

(Total 30 marks)

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

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

Evidence for use in answering Question 2

Evidence A

B&Q's recruitment effort



B&Q, part of the Kingfisher group, is the number one Home Improvement retailer in Europe and the third largest in the world, with more than 60 international stores. Our success continues to drive impressive growth.

We are the Home Improvement retailer best-known for wide product ranges and good value for money. In independent market research, customers vote B&Q the best Reputation and Home Improvement store in terms of staff knowledge and friendliness. We credit our success to the people who make it happen – our staff. 5

We've made sure our highly successful career development, internal promotion programme and fantastic range of employee benefits place us firmly at the top of the retail industry. If you are a talented, ambitious and customer-driven individual, you can make your mark. 10

All this provides plenty of opportunities to find job satisfaction, whether you want a new career or just to work a few hours each week. We recruit people from all walks of life, from college students, qualified plumbers, mums returning to work and retired teachers. Your background isn't important. 15

Adapted from B&Q website viewed April 2006 <http://www.jobs.diy.com/jobs/>



Evidence B

B&Q profits slump 70pc in wake of severe price cutting

Kingfisher, the international DIY retailer, is expected to reveal that operating profits at its B&Q chain fell by more than 70 per cent in the first quarter, because of severe price cutting in the face of depressed consumer spending. For the three months to the end of April, profits at B&Q are expected to be just £17m, down from £71m last year. The slump will highlight the degree to which B&Q has slashed its profit margins in an attempt to lure customers into its stores. 5

Gerry Murphy (Kingfisher’s chief executive) recognises the importance of identifying and developing sources of competitive advantage. He has noted that consumers are increasingly keen to use skilled workers to undertake repairs and home improvements. 10

The DIY firm is offering a decorating and floor fitting service in some of its UK stores. If successful the scheme will be offered nationally. B&Q hopes to provide added value by offering a kitchen and bathroom installation service.

However, a shortage of skilled workers means that the retailer is having trouble finding qualified people to do the job. B&Q is thinking of recruiting Polish decorators and fitters in order to increase the range of services it offers customers in the UK. The company already offers a home decoration service in China. 15

Adapted from: <http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2006/05/21/cnbnq21.xml21/05/2006>
<http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2006/03/22/npole22.xml22/03/2006>



2. (a) Explain what you understand by:

(i) 'reputation' (Evidence A line 7).

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(2)

(ii) 'profit margin' (Evidence B line 5).

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(iii) 'added value' (Evidence B line 12).

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(b) Briefly explain possible reasons for the slump in B&Q profits.

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(c) Explain how recruiting foreign decorators and fitters may help to increase B&Q's profitability.

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(d) Examine the likely impact of discounts on sales and cashflow.

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(e) Evaluate the likely motives of staff working for B&Q.

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(Total 30 marks)

Q2

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Answer EITHER Question 3 OR Question 4.

3. (a) Explain the link between the closure of Clarks' Ilminster factory and competitive advantage. (8)

(b) Evaluate the likely effect of Clarks' factory closure on **two** groups of stakeholders. (12)

(Total 20 marks)

Q3

OR

4. (a) Explain how offering a fitting service may affect the price which people are prepared to pay for goods supplied by firms such as B&Q. (8)

(b) Evaluate the potential impact on businesses of foreign workers moving to the UK. (12)

(Total 20 marks)

Q4

**Indicate which question 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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