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Economics and Business

Advanced Subsidiary

Unit 2B: Business Economics

Friday 26 May 2017 – Afternoon
Time: 1 hour 15 minutes

Paper Reference

6EB02/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- You may use a calculator.

Information

- The total mark for this paper is 70.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Questions labelled with an **asterisk** (*) are ones where the quality of your written communication will be assessed
– *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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SECTION B

Answer ALL questions in this section.

You should spend 45 minutes on this section.

Evidence A: JD Sports celebrates record 82% profit rise in 2015

JD Sports Fashion plc, more commonly known as just JD, is a sports-fashion retail company. JD's first-half year profits rose 82% to a record £46.6m at the end of 2015, as a result of high sales of trainers and other sports fashion on UK high streets. Sales at stores increased by more than 10%, as shoppers bought trainers made by Nike and other leading brands.



Brian Small, JD's Finance Director, said footwear and women's sportswear had sold especially well. "We are particularly pleased with trainer sales and we are doing better than ever with ladies' wear. Various fitness classes are popular at the moment, such as yoga and pilates." He said JD was also benefiting from people taking part in sport into middle and old age.

JD has been one of British retailing's success stories by focusing on sporting fashion wear. It has carved out an upmarket niche by selling the latest items from in-demand brands such as Adidas as well as its own brands, including Duffer of St George. Brian Small said JD's close links with Adidas and Nike gave it access to sought-after products, as well as to brands such as Giorgio Armani's EA7 that its rival Sports Direct do not supply. "Our customers tend to be young and the brands they wear are important to them. They believe it gives them status and it's important to them that they have the latest ranges."

Most of JD's 690 stores are in the UK but it is expanding in the Netherlands, Spain, France and Germany in a bid to become Europe's top sports fashion retailer. JD said it was confident about its European expansion plans, but growth was likely to be slow and profit margins would be affected by the weak euro. It would require extensive market research in a very uncertain European market.

JD said it was making progress in turning around its loss-making outdoor leisure business, which trades under the Millets brand. The Millets' loss narrowed to £4.5m from £5.6m a year earlier. Millets has 98 stores nationwide and continues to be known as the destination for camping and outdoor adventure equipment on the high street. It sells a range of outdoor clothing as well as camping, cycling and skiing equipment.

(Source: adapted from <http://www.theguardian.com/business/2015/sep/16/jd-sports-celebrates-record-profits-rise> and https://www.graham.co.uk/Databaselmages/new_1933608_jd-sports-store.jpg)

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7 Explain **one** possible benefit for JD Sports of operating in a niche market.

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(Total for Question 7 = 4 marks)



*12 Evaluate **two** possible strategies Millets might adopt in order to become profitable again.

(a) Strategy 1

(7)

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(b) Strategy 2

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(Total for Question 12 = 14 marks)

TOTAL FOR SECTION B = 46 MARKS

TOTAL FOR PAPER = 70 MARKS



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