

**ADVANCED SUBSIDIARY GCE UNIT
BUSINESS STUDIES**

2872

Business Decisions

MONDAY 4 JUNE 2007

Afternoon

Time: 45 minutes

Additional materials: Answer Booklet (4 pages)

Candidates may use calculators in this examination.



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INSTRUCTIONS TO CANDIDATES

- Write your name, Centre number and candidate number in the spaces provided on the answer booklet.
- Write your answers in the answer booklet.
- If you use additional sheets of paper, fasten the sheets to the answer booklet.
- Answer **all** questions.

INFORMATION FOR CANDIDATES

- The number of marks for each question is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is 45.
- You will be awarded marks for the quality of written communication where an answer requires a piece of extended writing.

ADVICE TO CANDIDATES

- Read each question carefully and make sure you know what you have to do before starting your answer.

This document consists of **4** printed pages.

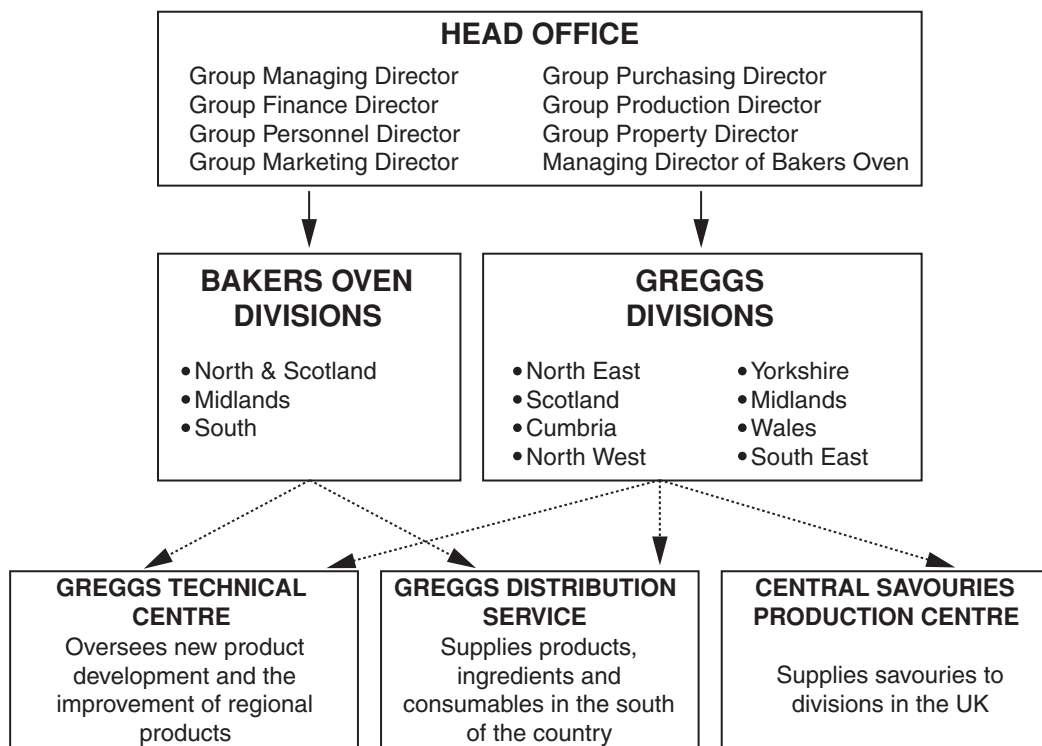
Introduction

Greggs plc is the UK's leading bakery retailer. It has over 1,260 shops nationwide serving more than 5 million customers each week. The business has recently expanded with the opening of four shops in Belgium. Two thirds of Greggs plc's business is in sandwiches, which are freshly made in each shop. It also sells freshly baked savouries such as pies, pasties and sausage rolls. These lines are complemented by a range of sweet products, bread and rolls.

Organisational Structure

Greggs plc is made up of the Greggs and Bakers Oven brands. The Greggs brand has a decentralised structure of eight divisions. The divisions have bakeries around the country supplying the shops in their surrounding areas. This ensures fresh products and catering for regional tastes. In contrast the production of savouries is centralised, as is the purchase and distribution of branded products such as crisps and soft drinks.

Fig. 1. Greggs plc – Organisational Structure



In practice the business operates a combined hierarchical and matrix structure. There are also cross-functional teams undertaking particular projects including the Shop Design Group and the Customer Contact Group.

Operations

Greggs plc is vertically integrated. Nearly all non-branded products are made by Greggs with economies of scale created through the centralised production of savouries. Greggs plc has adopted European total quality management standards. This has helped Greggs plc in the process of systematically targeting, benchmarking, measuring progress and identifying critical areas for improvement. The business is able to maintain complete control over all aspects of its products – ingredients are sourced from reputable suppliers providing the customer with quality products.

Extracts from Greggs plc Preliminary Results for 2004

- Value of sales up 5.1%
- Record pre-tax profit – up 15.3%
- Net increase in number of shops by 32 to 1,263

YEAR ENDED	2004	2003
Pre Tax Profits	£46.7 m	£40.5 m
Closing Stock	£7.3 m	£7.1 m
Debtors	£13.9 m	£13.0 m
Net Cash Balances	£62.6 m	£36.4 m
Creditors	£74.8 m	£68.6 m

After a slow start in 2004 sales growth improved during the year helped by a major brand re-launch in April. A major media campaign re-emphasised our heritage as a baker. Television and local radio helped us to achieve growing national awareness. This was accompanied by point of sale material, in-shop promotions and our sponsorship of Greggs breakfast clubs in primary schools. Favourable weather also helped us to achieve better than expected sales growth in the final quarter, despite the weakness of high street retailing over Christmas.

During 2005 we plan to open more new shops, refurbish established shops and invest in the construction of a new savouries plant in Newcastle upon Tyne. Prices are expected to rise due to increases in wage costs. We also face significantly higher energy costs following the end of our current long-term supply agreement.

Adapted from www.greggsplc.co.uk (2005)

- 1 Outline **two** methods of below the line promotion used by Greggs plc. [4]
- 2 Discuss the possible advantages and disadvantages of Greggs plc's organisational structure. [12]
- 3 (a) Calculate Greggs plc's working capital position as at the end of 2004. [4]
(b) Discuss the relative importance of the factors that could affect Greggs plc's cash flow. [12]
- 4 Evaluate the importance of quality control for Greggs plc. [11]

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