

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
Advanced Subsidiary GCE

BUSINESS STUDIES

2872

Business Decisions

Specimen for June 2003

Additional materials:
Answer Booklet

TIME 45 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer booklet.

Answer **all** questions.

If you use extra sheets of paper, fasten the sheets to the answer booklet.

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

INFORMATION FOR CANDIDATES

The number of marks 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.

7811/3811/SP/EN/02

This question paper consists of 3 printed pages and 1 blank page.

Thorntons plc manufactures, distributes and retails a range of high quality chocolate and toffee confectionery. Despite slow growth in the confectionery market overall, the business continues to increase sales. It is the market leader in the premium end of the boxed chocolate market. Among the population Thorntons has both high positive customer awareness and a large degree of brand loyalty. The company has identified four market segments, each of which has different customer needs:

- Gifts
- Personal treat
- Family share
- Children

The marketing mix must reflect these different needs in a complementary and coordinated manner in order to maximise sales. However, over-ambitious sales forecasts last Easter led to an excess of Easter eggs at the end of the selling period. These subsequently had to be sold at a discount. Sales are highly seasonal, see Table 1.

Table 1: Seasonal Sales Patterns

Significant date	Percentage of full years sales	Time period
Christmas	35%	7 weeks
Valentines day	5%	2 weeks
Mothers day	7%	2 weeks
Easter	15%	4 weeks
Fathers day	3%	2 weeks

Thorntons has 410 of its own stores and 127 franchises. The business aims to increase the proportion of franchises. The following information relates to a potential franchise opportunity:

Table 2: Financial Information Relating to a Potential Thorntons' Franchise

<u>SET UP COSTS:</u>		
Initial fee		£10 000
Shop fitting costs		£25 000
Opening stock and other start up costs		£10 000
<u>EXPECTED NET CASH FLOWS:</u>		
	<u>Year</u>	<u>Net cash flow</u>
	1	£10 000
	2	£15 000
	3	£20 000
	4	£20 000
	5	£20 000

Thorntons manufactures on two sites and uses batch production methods. It handles its distribution using its own fleet of vehicles. Orders are placed over the phone and then processed, picked, despatched and delivered within 48 hours. The company recruits seasonal staff to work in its warehouse:

Figure 1: Job Description for a Post in the Warehouse

JOB TITLE: Packing Operative
DEPARTMENT: Mail Order
RESPONSIBLE TO: Packing Team Leader

MAIN DUTIES OF JOB:

- To ensure that all orders dispatched are picked accurately.
- To ensure that stock is used on a rotation basis to ensure that usage adheres to shelf life procedures.
- To ensure that parcels using available materials in a way to provide both a gift presentation, yet also to prevent damage in transit to the item.
- To fulfil customer satisfaction and ensure that every customer is delighted with the service provided.

(Adapted from Thorntons plc Annual report 2000 and www.thorntons.co.uk)

- 1 (a) Outline **two** methods that Thorntons might use to research the nature of its market. **[4]**
(b) Evaluate the ways in which Thorntons could maintain a high positive awareness of their brand among the population. **[12]**
- 2 A potential franchisee is considering taking a Thorntons franchise for a five year period. Using the data in Table 2, calculate:
 - (i) the payback period;
 - (ii) the accounting rate of return (ARR). **[8]**
- 3 Analyse the advantages and disadvantages to Thorntons of using batch production. **[7]**
- 4 Evaluate Thorntons' policy of recruiting warehouse staff on a seasonal basis. **[12]**

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