

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1081/01

BUSINESS STUDIES

BS1

P.M. WEDNESDAY, 11 January 2012

1¼ hours

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	8	
2.	8	
3.	6	
4.	18	
5.	10	
Total	50	

ADDITIONAL MATERIALS

In addition to this examination paper you will need:

- a calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** questions in the spaces provided.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (question 5).

Answer all the questions in the spaces provided.

- 1. The main aim of most businesses, in the private sector, is to maximise profits. To do this they produce **goods and services** to meet the needs and wants of consumers. Needs, such as food, are considered essential to survive, but satisfying wants, such as acquiring designer clothes and going to the cinema, makes life more enjoyable.

In reality businesses may have other aims, apart from maximising profits, which depend on a variety of factors, such as how large they are and the level of economic activity.

- (a) With the aid of examples, distinguish between *goods* and *services*. [4]

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- (b) Outline **two** other aims that private businesses might have, apart from maximising their profit. [4]

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Total Mark /8

2. Mike and Mia, who have degrees in photography, have decided to set up their own photography business as a private limited company. One of their first tasks is to write a business plan, even though it is sometimes seen as an unnecessary chore and as a document required by others, rather than something that is essential for the business.

(a) Identify **one** advantage and **one** disadvantage to Mike and Mia of setting up as a private limited company. [2]

Advantage

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Disdvantage

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(b) Explain the benefits to Mike and Mia of having a business plan. [6]

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Total Mark /8

3. A LOOK AT THE SMART PHONE

INDUSTRY'S MARKET GROWTH IN 2010

Total units sold by leading manufacturers

MANUFACTURER	£ MILLIONS
Nokia	24
Research in Motion RIM (Blackberry)	11
Apple (iPhone)	8
HTC Group	5
Microsoft Windows Mobile	4
Others	3

- (a) Calculate Nokia's percentage market share in 2010. (Show your workings.) [2]

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- (b) Why is it important for a business, such as Nokia, to achieve a high market share? [4]

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Total Mark

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TURN OVER FOR QUESTION 4

4. ZARA

Zara is one of the world’s most successful clothing retailers.

The founder, Amancio Ortega, opened the first Zara store in 1985 in Madrid. Its first store featured low-priced, look-alike products of popular, high-end clothing fashions. The store proved to be a success, and Ortega started opening more Zara stores in Spain. An article in *Businessworld* magazine said that it focused its attention through market research on understanding the fashion items that its customers wanted and then making them.

During the 1980s, Ortega started changing the design, manufacturing and distribution process to reduce the time it takes to get goods into its stores and to react to new trends in a quicker way - what he called “instant fashions”. Zara stores are company-owned, except where local legislation forbids foreign-owned businesses. In those cases, Zara operates by **franchising** the stores.

Zara is a **vertically intergrated** retailer. Unlike similar clothing retailers, Zara controls most of the steps in the supply-chain: it designs, produces and distributes itself. While some competitors outsource all production to Asia, Zara makes its most fashionable items - half of all its merchandise - at a dozen company-owned factories in Spain and Portugal, where labour is somewhat cheaper than in most of Western Europe. Clothes with a longer shelf life, such as basic T-shirts, are made by low-cost suppliers, mainly in Asia and Turkey.

Zara can offer considerably more products than similar companies. It produces about 11 000 distinct items annually compared with 2 000 to 4 000 items for its key competitors. The company can design a new product and have finished goods in its stores in 4-5 weeks; it can modify existing items in as little as two weeks, which means greater success in meeting consumer preferences.

If a design doesn’t sell well within a week, it is withdrawn from shops, further orders are cancelled and a new design is selected. Zara has a range of basic designs that are carried over from year to year, but others can stay on the shelves less than four weeks, which encourages Zara fans to make repeat visits.

(a) Explain why Zara prefers to operate its own stores rather than franchising them. [4]

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(b) Explain the benefits to Zara of being vertically integrated.

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(c) To what extent do you agree that Zara is more market orientated than product orientated?

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(You can continue this question on page 8)

Turn over.

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Total Marks /18

5. VOLCANIC-ASH CLOUD FLIGHT BAN SPLITS WINNERS AND LOSERS

The ban on flights over most of Europe has created two distinct camps of business winners and losers.

WINNERS



LOSERS



Businesses are often affected by external influences, including unforeseen events, over which they have no control. In the UK in 2010, there were a series of such events including a particularly severe winter, volcanic ash from Iceland and strikes by cabin crew at British Airways.

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