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Paper 2 Business 2

Sample assessment material

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Source 1: Dough-nuts UK

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Employees of the well-known café and baked-goods chain Dough-nuts have rated the company so highly that it was one of the Top Ten Big Companies to work for in the UK in a national newspaper survey in both 2021 and 2022. 1

The main benefits for employees include free doughnuts and drinks and a bonus for new staff who impress mystery shoppers; also, ‘Employee of the month’ award winners can win mini-breaks to European cities or £350 worth of shopping vouchers. Staff at the company said there was “a great working atmosphere, great colleagues and flexible working practices” – particularly the ‘friends and family contract’ which enables staff to swap shifts with friends or family members without needing to inform managers in advance. 5 10

Job security looks good, with Dough-nuts continuing to maintain the largest market share in the UK café and baked-goods market, despite increasing competition from rivals like Greggs and Dunkin’ Donuts. However, even though sales grew by 2% in 2022, the Chief Executive of Dough-nuts UK said that the company “continued to face a challenging environment”. Competition is fierce and the price elasticity of demand for doughnuts, one of its main products, is estimated as being –1.2. 15

Key aspects of the company’s current marketing mix include:

- increased use of online technology to enhance communications with customers
- a greater focus in all marketing on explaining the ethical sources and practices used when sourcing ingredients 20
- extending the brand and launching a range of Dough-nuts’ smoothies, ice-cream and a range of coffees.

Dough-nuts has a centralised approach to decision making in many aspects of the business. For example, the company chooses major suppliers for key ingredients and uses these to supply all its cafés nationally. Dough-nuts has a single central computer system to determine what quantities of supplies should be delivered to each café. This is part of the company’s operational focus on efficiency. The design of cafés, kitchens and till areas is driven by the need to reduce wasted time and resources. Methods of preparing and serving food and training staff are the same in all cafés. The company also centralises many of its marketing decisions, keeping close control over which products are stocked in cafés, how they are promoted, what new products are developed, where new cafés open and how the brand is used. Activities used to reinforce the brand include use of the distinctive pink Dough-nuts logo, promoting the main slogan ‘Ring in your hunger!’ and joint ventures in merchandising products with other influential companies such as Walt Disney. 25 30

In recent years the business has been criticised quite heavily, with health campaigners monitoring the nutritional content of Dough-nuts products and claiming that the company’s food could be linked to obesity problems in the UK. Despite these ongoing issues, Dough-nuts and its brand seem to be in a strong position in the UK and in the many other countries where the company operates. An industry analyst recently commented: “Dough-nuts’ continued success is based on the consistency of its offer throughout the world. You know what you’re getting whenever you go into any outlet – decent value for money, ethically sourced ingredients and quick service. These brand values have allowed Dough-nuts to work through recession in the UK effectively, even seeing a boost in sales as the £1.49 ‘Giveaway’ box of doughnuts appealed to value hunters”. 35 40

Table 1 Dough-nuts' UK workforce data 2022

Total staff employed in UK	29 742
Number of staff who left during 2022	5 948
Average age of staff	24
Percentage of staff who earn over £35,000	1%
Typical payment method	Hourly rate

Table 2 Costs of a Dough-nuts' café as a percentage of its revenue

Cost of food	30%
Staff costs	30%
Advertising	5%
Maintenance	3%
Utility bills	3%
Other costs	2%

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