



## SECTION A

**Answer ALL parts of Question 1 after reading Evidence A and Evidence B.**

**Evidence A****A Loaf Less Ordinary**

More than 20 years ago, pioneering baker Andrew Whitley set up tiny premises in the Cumbrian village of Melmerby, in the shadow of the Pennine hills. He called his establishment The Village Bakery and began producing hand-made organic breads, which he sold in local wholefood shops. Since then, his bread has become more and more popular, winning awards and attracting the attention of supermarkets, until finally the demand was more than he could meet. So Whitley decided to license his breads to be made in large, commercial premises. The challenge was how to increase the scale of production without compromising the quality of the bread and the integrity of the brand.

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Adapted from [www.waitrose.com](http://www.waitrose.com) April 06

**Evidence B****Rising to the Occasion, Bells of Lazonby wins Queen's Award for enterprise**

Another Cumbrian bakery, Bells of Lazonby has been awarded the prestigious Queen's Award for Enterprise – Innovation Award 2006. This prize was for its allergy-friendly bakery products sold under its OK and Village Bakery brands.

Innovation was the key to the company's success in this niche market. Historically many of the products were functional and bland, aimed at people with a dietary intolerance to gluten, and were sold through speciality stores.

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Bells' chose to focus on quality and standards and to make great-tasting products that would have wider appeal in the growing health and diets food market.

From the outset Bells determined that product innovation was the key to the newly developing market. Bells was awarded a government grant for research and development activity. It invested nearly £1m in building a dedicated bakery, creating a new brand and recruiting the marketing and sales expertise needed to get the product to market.

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Adapted from [www.village-bakery.com](http://www.village-bakery.com) April 06



1. (a) What is meant by:

(i) 'product innovation' (Evidence B line 9).

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(ii) 'developing market' (Evidence B line 10).

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(iii) 'research and development' (Evidence B line 10).

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(b) Explain possible benefits resulting from government grants to firms such as Bells.

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(c) Critically examine the likely importance of quality to firms such as Bells as they seek to broaden their customer base.

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**SECTION B**

**Answer EITHER Question 2 OR Question 3 after reading Evidence C and D.**

**Evidence C**

**Labour Market Barometer**

**Case Study – Rushcliffe**

Rushcliffe is located close to the City of Nottingham, and provides a home to many of the ‘knowledge workers’ employed in the City Centre. These workers – comprising managerial, professional and technical occupations – represent 57% of Rushcliffe’s resident working population. These types of workers are key to the City’s future competitiveness and, because of the higher salaries they attract, often bring greater prosperity to the areas in which they live. Average total incomes in Rushcliffe are within the top 25% in the country.

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**Case Study – Tower Hamlets, London**

In our recent look at employment growth, Tower Hamlets, London, emerged as the best performing area in Britain, generating over 50,000 new jobs between 1998 and 2004. Yet it has an unemployment rate of four times the national average. There are many other areas up and down the country where an increase in the number of jobs locally hasn’t led to an increase in the local employment rate, but Tower Hamlets presents the starkest contrast.

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Adapted from <http://www.localknowledge.co.uk>

**Evidence D**

**The Technium concept**

The Technium concept, in Wales is a response to the decline in employment in mining and manufacturing. It aims to provide specialist start-up facilities for hi-tech, creative and knowledge-based businesses, linking public and private sector investment and innovation with leading academic expertise. Backed by the Welsh Development Agency it recognises that the region’s future economic prosperity will depend on increasing productivity, entrepreneurship and building the knowledge economy.

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OpTIC (Opto-electronics Technology and Incubation Centre) is part of the Welsh Technium network and is designed to help businesses in the high-tech field of opto-electronics and related technologies. It is a £15.7 million project backed with over £6.3m of European funding provided through the Welsh Assembly Government. OpTIC is designed to create over 318 high-quality jobs in North Wales and safeguard many direct and indirect jobs throughout Wales.

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Adapted from [http://www.smallplanettechnology.com/sp\\_news\\_004.htm](http://www.smallplanettechnology.com/sp_news_004.htm) and [www.technium.co.uk](http://www.technium.co.uk)



If you answer Question 2 put a cross in this box .

2. (a) Illustrate and explain why ‘knowledge workers’ in Rushcliffe might earn higher than average salaries.

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(b) Explain **two** possible implications for businesses of rising unemployment in areas such as Tower Hamlets.

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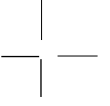
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(c) Examine the effects of structural change on regional patterns of demand.

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**OR**

**If you answer Question 3 put a cross in this box .**

**3. (a)** Explain how increased productivity might lead to increased economic prosperity.

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(b) Explain why it is appropriate to have joint public and private investment initiatives.

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(c) Examine **two** possible reasons why areas such as Tower Hamlets can experience rising unemployment despite the creation of new jobs.

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**SECTION C**

**Answer EITHER Question 4 OR Question 5.**

4. (a) Examine the importance of innovation for small firms such as Bells. (10)

(b) Evaluate **two** strategies, other than innovation, that a small firm could use to expand its market share. (20)

**(Total 30 marks)**

**Q4**

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**OR**

5. (a) Examine the importance of investment for economic growth. (10)

(b) Evaluate the role of government in achieving economic growth. (20)

**(Total 30 marks)**

**Q5**

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**Indicate which question you are answering by marking the box (☒).  
If you change your mind, put a line through the box (☒) and then indicate your new question with a cross (☒).**

Chosen question number:    **Question 4**             **Question 5**

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**TOTAL FOR SECTION C: 30 MARKS**

**TOTAL FOR PAPER: 90 MARKS**

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