

Pearson BTEC Level 3 Nationals

Thursday 16 May 2019

Supervised hours: 3 hours

Paper Reference **31589H**

Business/Enterprise and Entrepreneurship

Unit 7/Unit 6: Business Decision Making

Part S

You must have:

Calculator, note paper and pen

Instructions

- This booklet contains material for the completion of the set task under supervised conditions.
- This booklet is specific to each series and this material must only be issued to learners who have been entered to undertake the task in the relevant series.
- This booklet should be kept securely until the start of the 3 hour supervised assessment period.
- This booklet must be issued to learners during the date and time and under conditions specified by Pearson.

Information

- The total mark for this paper is 70.

Turn over ►

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Instructions to Teachers/Tutors and/or Invigilators

This paper must be read in conjunction with the unit information in the specification, the Administrative Support Guide for the unit, and the *BTEC Nationals Instructions for Conducting External Assessments (ICEA)* document. See the Pearson website for details.

The set task is undertaken under supervision in a **single session** of three hours on the timetabled day specified by Pearson.

Centres must schedule all learners in the same sessions and must release the assessment to individual learners only for their scheduled sessions.

Work should be completed on a computer.

Centres may schedule supervised rest breaks during the session.

All learner work must be completed independently and authenticated by the teacher/tutor and/or invigilator before being submitted to Pearson.

Refer carefully to the instructions in this booklet, the Administrative Support Guide for the unit, and the *BTEC Nationals Instructions for Conducting External Assessments (ICEA)* to ensure that the supervised assessment is conducted correctly and that learners submit evidence that is their own work.

Learners must not bring anything into the supervised environment or take anything out without teacher/tutor and/or invigilator knowledge and approval. A calculator, note paper and pen are allowed.

Centres are responsible for putting in place appropriate checks to ensure that only permitted material is introduced into the supervised environment.

Maintaining security

- During the supervised assessment period the assessment areas must be accessible only to individual learners and to named members of staff.
- Learners can access their work only under supervision.
- Learner work should be backed up regularly.
- Any work learners produce under supervision must be kept securely.
- During any break materials must be kept securely.

Outcomes for submission

Each learner will need to complete **three** documents:

- a report
- a presentation with speaker notes or script
- an authentication sheet.

Instructions for Learners

Read the set task information carefully.

It contains all the information you need to complete both activities.

This is a **single session** of three hours. Plan your time carefully. Your teacher/tutor and/or invigilator will tell you if there are any supervised breaks.

You will complete the activities within the set task under supervision and your work will be kept securely during any breaks taken.

You may use a calculator and will have access to a computer.

You must work independently throughout the supervised assessment period and must not share your work with other learners.

Your teacher/tutor and/or invigilator can clarify the wording that appears in this set task but must not provide any other guidance to help you complete the task.

Outcomes for submission

You will need to complete **three** documents:

- a report
- a presentation with speaker notes or script
- an authentication sheet.

Set Task Information

You are working in a local business support organisation that offers help and advice. Your manager asks you to advise a client on the likely success of a new business making and selling ice cream.

The client has funds of £30 000 and is considering two options for opening a successful business.

Option 1

Setting up as a mobile business.

Option 2

Setting up a pop-up space in a shopping centre.

On the following pages you will find information relating to the two options.

This includes data and information on:

- Ice cream market and trends
- Option 1 – A mobile business
- Option 2 – A pop-up space in a shopping centre

Set Task

You must complete all activities.

You will produce **two** documents on a computer:

- a report
- a presentation of slides with speaker notes or script.

Activity 1

You are to produce a report that examines the two options your client is considering for the opening of a new and successful ice cream business.

Your report must address **both** options and include:

- an assessment of
 - the key factors and risks
 - the implications for resources
- appropriate financial forecasts
- an interpretation of financial information using ratio analysis
- use of appropriate decision-making tool(s) to support your recommendation to the client.

Your report must be set within the context of the business and its goals.

Your report should be presented in an appropriate format for the client.

You should present your report as a word processed document in a minimum of 12-point font.

(Total for Activity 1 = 52 marks)

Activity 2

Using appropriate software prepare a presentation to the client.

The presentation should:

- summarise the recommendations made in your report
- give your rationale for the recommendations made.

The presentation must be accompanied by speaker notes or a script that will engage and convince the client of the viability of your recommendation.

(Total for Activity 2 = 18 marks)

TOTAL FOR PAPER = 70 MARKS

Ice cream market and trends

The UK ice cream and desserts market has seen sales increase by 6% since 2012. By the end of 2017 sales were expected to reach £2.67 billion.

In 2017, the ice cream segment accounted for £1.14 billion of sales value. The segment grew 2.8% in 2016 and 3.6% in 2017. Sales value is expected to reach £1.3 billion by 2022.

One challenge to continued growth is the ageing population. The older generations are less likely to buy ice cream, but the projected growth in the number of 5–34 year olds is a positive factor because this age group are regular consumers of ice cream.

The market is dominated by well-known brands. This makes it difficult for new businesses to be successful.

Brand	Sales in 2016 (£m)	% of ice cream sales
Magnum	174	15
Ben & Jerry's	95	8
Wall's	76	7
Häagen-Dazs	54	5
Wall's Carte D'Or	48	4
Nestlé	44	4
Cadbury	40	3
Supermarket and other own label products	399	34

Figure 1 - UK ice cream market 2016

Despite the challenging competitive environment, there has been a growth in the number of small and medium-sized independent retailers including farmers who produce and sell own brand ice cream using their own milk production.

There has also been an increase in the number of ice cream parlours offering a wide range of flavours and high quality products. In the UK, there are now over 70 different flavours on offer including some savoury varieties based on Marmite, Thai Green Curry, Sea Salt and Black Espresso. There are also varieties based on traditional sweets such as Refreshers and Fruit Salad.

Demand in the UK is also influenced by other factors:

- poor weather affects demand
- the number of mobile ice cream vans has decreased by over 80% in the last 30 years, due in part to restrictions on street trading
- the dominance of supermarkets with own brand and branded sales
- current trends in organic and healthy eating, and the move away from high sugar content foods, is contributing to a decline in sales
- one in five children and 63% of adults are classified as overweight or obese.

Developing low-sugar varieties may provide a future opportunity, especially if a sugar tax is also applied to ice cream and desserts as it now applies to soft drinks.

Option 1 – A mobile business

The first option is to buy a van and set up a mobile ice cream business.

The client may see the declining numbers of ice cream vans as an opportunity to offer something different and to try and beat this trend. The client would make and sell a limited range of ice cream from the van. If successful, the flavour range could be extended or other products added such as sorbets or frozen yoghurts.

The client would need to purchase a mobile ice cream van and to apply for a street trading licence. The mobile business would need to project a different image to other mobile ice cream vans to develop consumer interest. Marketing would be a key success factor when launching the business.

Start-up costs	
Ice cream van	£30 000
Production equipment to make the ice cream	£15 000
First year's street trading licence	£3 000
Running costs	
Cost of sales (milk, flavourings, wafers, etc.)	20% of sales revenue
Expenses (fuel, road tax, wages, etc.)	50% of sales revenue
Other information	
Predicted sales volumes	55 000 units a year at £1.50 a unit
Net present value of the investment based on £48 000 start-up cost	£16 500 after 3 years
Investment pay back	1.8 years

Figure 2 - Data for mobile business

Option 2 – A pop-up space in a shopping centre

The second option is to make and sell high quality, premium priced products from a pop-up space in a shopping centre.

The business would need to raise brand awareness and to establish a sustainable customer base looking for a premium and differentiated product. In the long term, the business could open a second retail space either in the same shopping centre or in another location.

The shopping centre is close to motorways, has a dedicated train station and free parking. The catchment area has a population of over 3.5m and the shopping centre has an annual footfall of 30m. On average, customers remain in the shopping centre for 2.5 hours and spend over £120 each visit.

The pop-up space décor has to deliver a quality experience so customers would tell others about it. Customers would be able to eat in or take away. The average spend of each customer is expected to be more than double that of the mobile customer.

Start-up costs	
Equipment	£40 000
Pop-up space decoration and furniture	£15 000
Running costs	
Cost of sales (milk, flavourings, wafers, etc.)	15% of sales revenue
Expenses (rent, wages and other costs)	71.4% of sales revenue
Other information	
Predicted sales volumes	140 000 units a year at £3.50 a unit
Net present value of the investment based on £55 000 start-up cost	£27 700 after year 1
Investment pay back	0.8 years

Figure 3 - Data for pop-up space in a shopping centre