

Write your name here

Surname

Other names

**Edexcel**  
**Principal Learning**

Centre Number

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# Retail Business

**Level 3**

**Unit 1: Examining the World of Retail**

Tuesday 12 June 2012 – Morning

**Time: 1 hour 45 minutes**

Paper Reference

**RB301/01**

**You do not need any other materials.**

Total Marks

## Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*

## Information

- The total mark for this paper is 70.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*

## Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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**PEARSON**

**Answer ALL questions.**

**1**

In March 2011 *IKEA* opened its largest ever store on Yas Island in Abu Dhabi, United Arab Emirates (UAE).

It took 10 months to build and will provide a total of 33,000 square metres of floor space, 19,150 square metres of which will be dedicated to sales space.

It is expected to serve over a million customers a year. It will form part of a larger shopping mall development which property developers see as evidence of an increase in western interest in the country.

(Source: adapted from Arabianbusiness.com)

(a) Describe how gap analysis might have supported *IKEA's* decision to open a new store in Abu Dhabi.

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(b) Describe **one** objective that *IKEA* might set for its new store in Abu Dhabi.

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(c) Explain **one** reason that an emerging market like Abu Dhabi might have been attractive to a business such as *IKEA*.

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**(Total for Question 1 = 10 marks)**

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2

A survey by the research firm *Verdict* showed that *IKEA* is the second most popular retailer in the UK behind *John Lewis*.

The research suggested that the reason for this popularity is the wide variety of goods sold and the competitive prices which *IKEA* charges.

A key reason for the popularity of the retailer is the fact that it provides customers with good value during the recent economic downturn.

Another key reason for its popularity is thought to be the good quality, stylish and innovative designs of its products. The majority of *IKEA* products are available in a flat-pack form which customers assemble at home. These packs fit easily into customers' cars.

(Source: adapted from [www.warc.com](http://www.warc.com))

(a) Explain why good value products are attractive to customers during an economic downturn.

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(b) Explain **one** reason why products that are popular in the UK, such as those sold by *IKEA*, might not be as popular in other countries.

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(c) Assess the importance of innovation to the popularity of products, such as furniture, sold by *IKEA*.

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(d) Evaluate the importance of **one** activity of the logistics and supply chain function to the profitability of a retailer, such as *IKEA*, in the UK.

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**(Total for Question 2 = 20 marks)**



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3

*IKEA* has 11 stores in Canada and 37 in North America.

In March 2011, *IKEA* was forced to issue a recall for over 100,000 coffee pots.

Although only one report of a problem was received evidence emerged that a design flaw resulted in increased pressure between the metal and glass components, when the coffee pot was filled with hot water. This could cause the glass to break, creating a risk of customers getting scalded or cutting themselves on broken glass.

The pots were sold through stores in North America and Canada and cost between six dollars and ten dollars.

*IKEA* issued a statement inviting customers who had purchased a coffee pot from the defective batch to return it to their local store for a full refund.

(Source: adapted from reuters.com)

- (a) Describe why inviting customers to return their coffee pot for a refund might be a problem for **one** functional area.

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(b) Explain why a system of Total Quality Management might have prevented the need for a product recall.

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(c) Recalling over 100,000 items despite only a single report of a problem might be seen as an example of Corporate Social Responsibility (CSR).

Assess the extent to which CSR is desirable for a retailer such as *IKEA*.

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**(Total for Question 3 = 13 marks)**



4

In Spring 2010, *IKEA* submitted plans for a new store and multistorey car park in Reading.

The planned store covers a space of over 40,000 sqm and will replace a number of derelict retail units. When opened, it will create over four hundred jobs, requiring specialists in sales, logistics and customer service. These employees will work in areas such as sales, restaurants, warehouse and crèche.

(Source: adapted from [www.readingchronicle.co.uk](http://www.readingchronicle.co.uk))

*IKEA* has chosen to advertise its logistics job opportunities on a specialist recruitment website.

(a) Describe **one** reason why this is an appropriate choice.

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(b) Explain why training and development will be important for new staff who are working in the *IKEA* warehouse.

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(c) Explain **one** reason why internal communication systems will be important when opening the new store in Reading.

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(d) Analyse the contribution of progression opportunities to the success of the Reading store.

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**(Total for Question 4 = 17 marks)**



### Management and operation at *IKEA*

Mikael Ohlsson is the chief executive of *IKEA*. In 2010 his designers found a way to pack a popular type of sofa more compactly, doubling the amount they could fit into a given space. This reduced the selling price by 100 euros. It also significantly reduced the carbon-dioxide emissions from transporting it as fewer lorries were required.

Mr Ohlsson is committed to equality in the workplace and he encourages this in the culture of the company. In *IKEA*, 40% of the top managers are women.

Mr Ohlsson thinks that *IKEA* is more competitive as a private limited company as it can concentrate on long-term growth.

Mr Ohlsson also hopes to open *IKEA* stores in the Indian market.

### The Indian market

India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services.

India has capitalised on its large educated English-speaking population to become a major exporter of information technology services and software workers. In 2010, the Indian economy recovered quickly from the global financial crisis – in large part because of strong domestic demand. Its economic growth exceeded 8% per year.

High food prices, resulting from a monsoon in 2009, inefficiencies in the government's food distribution system and industrial expansion has fuelled inflation. Inflation peaked at 11% in the first half of 2010, but has gradually decreased to single digits following a series of central bank interest rate rises.

Some of India's long term challenges are widespread poverty and accommodating rural-to-urban migration.

(Source: adapted from [www.economist.com](http://www.economist.com))

(Source: adapted from [www.cia.gov](http://www.cia.gov))



Evaluate whether entering the Indian market would be the right decision for *IKEA*.

Dotted lines for writing the answer.

**(Total for Question 5 = 10 marks)**

**TOTAL FOR PAPER = 70 MARKS**



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