

General Certificate of Secondary Education
June 2004



BUSINESS STUDIES SPECIFICATION B 3133/9/1
BUSINESS STUDIES SPECIFICATION B (SHORT COURSE)
Paper 1

F&H

Thursday 17 June 2004 9.00 am to 10.15 am

CASE STUDY BOOKLET

Read this case study before attempting to answer the questions.

DATA A

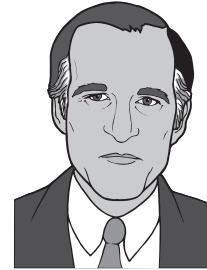
Dewdrops plc

Dewdrops plc manufactures clothing for three major high street retail groups. The business began as a private limited company in 1967. At first, Dewdrops Ltd had one factory where it produced quality clothing for a wide range of specialist outlets. Within two years, the company was making a reasonable level of profits. By 1975, it had opened three new factories, financed by a combination of retained profits and bank loans.

When profits reached a record level in 1986, the company decided to expand further. This expansion included product diversification, opening additional factories and expanding into export markets. To finance this expansion, Dewdrops changed from a private limited to a public limited company.

Dewdrops plc has continued to expand by taking over existing factories and has built a large factory employing 520 workers in Penwerris. As the Mayor of Penwerris said, when opening the new factory:

“When our car factory closed, the future of Penwerris seemed bleak. Unemployment reached 25% and you could see the young folk desperate to leave the area to look for work. We had to attract new companies into the area. Thanks to companies such as Dewdrops, the future of our town and its community seems to be a lot more secure.”



DATA B

Dewdrops plc

One of Dewdrops plc's targets was to increase production by investing in new machinery and new ways of working. Dewdrops plc continued to produce its clothes in batches but it also introduced elements of flow production. It set up a production line. Workers became specialised in separate tasks such as cutting, shaping, sewing, pressing and packaging.



In an attempt to improve efficiency, Dewdrops plc reviewed its buying, stock control and storage system. It developed close links with its main suppliers of cloth and other materials so that it operated a form of just-in-time stock control. Dewdrops plc also improved its links with the major high street retailers.

DATA C

At the start of 2000, many of the traditional UK retailers such as Marks and Spencer, New Look, Top Shop and Next experienced increased competition from discount stores, factory outlets and supermarkets.

At first, many of the traditional retailers responded through price reductions, advertising and other promotions. They then cut back on existing orders from their suppliers and reduced the number of new styles that they had intended to introduce. Despite these actions, traditional retailers suffered a 5% decline in sales of all clothing.

**DATA D**

At the beginning of 2001, the Board of Directors of Dewdrops plc was concerned about the company's performance and decided to carry out a financial review. Some of the key figures from 1999 and 2000 are shown below.

	1999	2000
	£m	£m
Sales revenue	150	155
Gross profit	120	121
Cost of sales	30	34
Expenses	105	107
Fixed assets	125	128
Current assets	35	40
Stock	30	32
Current liabilities	25	35
Total capital employed	135	133

DATA E

Extract from Penwerris News, 11 November 2003

Dewdrops plc Factory to Close

Despite all efforts to improve profitability, the Board of Directors of Dewdrops plc today announced the closure of its Penwerris factory with the loss of 425 jobs. Only four years ago the Mayor opened the factory, expressing great confidence in the future prosperity of the town.

THERE ARE NO DATA ITEMS PRINTED ON THIS PAGE