

GCSE (FOUNDATION/HIGHER TIER)

BUSINESS STUDIES B

Business Processes

CASE STUDY

THURSDAY 14 JUNE 2007

Afternoon

Time: 1 hour 15 minutes

Pre-release material for examination in Summer 2007

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INFORMATION FOR CANDIDATES

- This is a clean copy of the case study which you should already have seen.
- You should refer to it when answering the examination questions which are printed in a separate booklet.
- You may **not** take your previous copy of the case study into the examination.
- You may **not** take notes into the examination.

This document consists of **6** printed pages and **2** blank pages.

Banking on the Future

AnB plc was formed twenty years ago from a merger between Associated Bank and the British Building Society. It offers a full range of banking services, in addition to mortgages and other products relating to buying and selling houses.

The British Building Society had a low cost operation based in the South West of England. The Associated Bank had a large number of branches throughout the country. At first the merger went well. Substantial cost savings were achieved, for example the headquarters of the British Building Society in Bristol were closed. The merger also led to a large increase in revenue as, for example, mortgage services were now made available in all AnB plc branches. Profitability increased throughout the 1990s. 5

Over the last five years, however, performance has been very different. The increased popularity of telephone and Internet banking means that many branches now serve very few customers each day. AnB plc offers its telephone and Internet banking services from centres based in the UK. A number of its high street rivals offer such services from centres based in Asia where running costs are much lower. 10

The latest annual financial data for AnB plc has recently been published (a summary of which is shown in Table 1 below). This data is due to be discussed at the next meeting of the Board of Directors. 15

Table 1

AnB plc Financial Data, 2002–2006

Year	Revenue	Profit	Number of employees
2002	£4000m	£400m	10,000
2003	£4200m	£416m	10,500
2004	£4400m	£380m	11,000
2005	£4500m	£350m	11,500
2006	£4400m	£300m	12,000

Some companies similar to AnB plc are also having difficulties. One of its main rivals has recently been taken over by a Spanish bank. With its headquarters being based in a lower cost area of the European Union, this bank's UK operation is now producing more successful results. It is able to offer significantly higher interest rates to savers and lower interest rates and charges to customers borrowing money through loans and mortgages. 20

The uncertainty of the financial situation is already having an effect on the staff at the AnB plc's headquarters. AnB plc needs to reduce the number of staff at its headquarters by making 350 of the 1000 staff redundant. This might have disadvantages for the company as well as advantages and will have to be managed carefully. Rima Patel, Manager of the Network Services Department, has already been given the task of reducing her staff by half. One of her decisions is to choose which two of her four supervisors to make redundant. Information about each supervisor is given in Appendix 1. 25

The Marketing Department of AnB plc is also feeling the strain as a result of the recent fall in revenue. 30
It is looking at some secondary market research data undertaken to find out what customers want
from a 21st Century financial institution. An extract from this research is shown in Appendix 2.

Siân MacFerris, Marketing Director of AnB plc, says that “the **way** in which this market research
has been collected is excellent. The results of it show there is a real opportunity to focus on a 35
traditional high street operation. This would be very different from AnB plc’s competitors who see
their future in telephone and Internet banking.” The Finance Director, Christopher Chang, takes a
very different view. In his opinion Siân’s suggestions are based on history and nostalgia. “No right-
minded customers will be prepared to pay the extra costs involved in keeping all these high street
branches open. The future of banking is in mobile phone technology.”

Siân, however, is also keen to expand AnB plc. She sees the relatively new Eastern European 40
members of the European Union as providing an obvious market opportunity for diversification
and growth. Christopher is concerned about the costs and risks involved in such an expansion.

Whatever direction is chosen for AnB plc, the Board of Directors will need the support of the
shareholders. They are already aware of the many threats facing the business. The main concern 45
of the shareholders is that the company should be successful in the future.

Appendix 1

Summary of Network Services Department Supervisors

1. Peter Smith, age 56

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Details: An image of a man

Peter has been with The Associated Bank and now AnB plc for over 30 years. He is vastly experienced with an excellent health record. He is a very loyal and dependable worker who deputises for Rima when she is on leave. Peter is married with two grown up children and his wife has a well paid job in the health service.

2. Radika Singh, age 30

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Details: An image of a woman

Radika is a single mother and has been with AnB plc since she left school at 16. She is very talented but lacks formal qualifications. Although she has three young children, she rarely has time off work. She has the potential to become a senior manager in the future.

3. Tony Carter, age 25

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Details: An image of a man

Tony has been a supervisor for just over a year having worked in the department for three years previously. Although well qualified, he often lacks the necessary people skills to deal with the staff in the department. He has recently received one formal warning about his work not being up to the required standard.

4. Jenny Jones, age 45

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Details: An image of a woman

Jenny is a natural supervisor. Her team has the highest productivity and the lowest recorded absenteeism. Her leadership combines good communication skills with a firm no-nonsense approach. She enjoys her job and, having no immediate family, it has been the centre of her life for the last fifteen years.

Appendix 2

Extract from Market Research*(Based on a national survey of 1500 people undertaken by the National Research Service)***Section 1. Most Popular Services**

Most popular service	% of people who use this service regularly
Cashpoints	85%
Credit cards	78%
Debit cards	73%
Borrowing	65%
Savings and investments	61%
Internet banking	55%
Telephone banking	40%
Cheque books	35%

Section 2. Rated as Highly Important

Service	% of people who rated it as highly important that their bank offers each service
Cash point	88%
Direct telephone access to branch	76%
Local branch facilities	68%
Competitive interest rates	59%
Free banking	56%

Section 3. Additional Comments (summarised)

Customers do not like automated responses to telephone calls
 Use of overseas call centres to answer telephone enquiries is annoying
 Branch opening hours are designed to suit the employees not the customers
 There are always long queues at lunchtimes
 Bank charges are often excessive
 Bring back the local bank manager!
 Being able to manage your account by phone or Internet any time of the day is brilliant
 I would never use Internet banking because of security risks such as fraud

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