

**GENERAL CERTIFICATE OF SECONDARY EDUCATION
BUSINESS STUDIES B**

**2324/01/CS
2324/02/CS**

Business Processes

PRE-RELEASE CASE STUDY

JUNE 2008

To be opened on 1 January 2008.



INSTRUCTIONS TO CANDIDATES

- The case study may be given to candidates at any time after 1 January 2008.

INFORMATION FOR CANDIDATES

- You **may** make yourself familiar with the case study before you take the question paper.
- You may **not** take notes into the examination.
- A clean copy of the case study will be given to you with the question paper.

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

Lambeth Glass goes for Gold

Lambeth Glass Ltd makes glass paperweights. It has done so for nearly eighty years. It has built its success on providing quality souvenirs to commemorate special events. Over the years it has made paperweights under licence to celebrate Royal Weddings, World Cups and the Millennium. Everyone who works for the company can already see the massive potential for the 2012 Olympics in London. Current sales do not, however, just rely on special events. About ten years ago the artist who designed many of the special event paperweights produced some very attractive designs which have gone on to prove a massive success with collectors and local businesses (see Appendix 1). 5

The firm is based in a popular tourist area in the North of England where there is an experienced and loyal workforce. In addition to the factory, there is a visitor centre, factory shop, a large café and children's play area. 10

Kate Lambeth has just become Marketing Director of Lambeth Glass Ltd after a successful marketing career in a variety of businesses. As great-granddaughter of the founder of the company she represents both the tradition and the future of the company. She has also inherited a 30% shareholding in the company. A further 30% of the shares are held by other members of the family. 15

Kate thinks exciting times lie ahead for Lambeth Glass Ltd. At the next meeting of the Board of Directors she intends to present her new strategy for the business. She has summarised her strategy into three parts. All of these, she considers, provide tremendous growth opportunities for the business. 20

Part 1: Commemorative Paperweights

This is a well-established market but has potential for growth in terms of world sporting events such as the 2010 World Cup and, in particular, the 2012 Olympics.

Part 2: Business Paperweights

There is a massive market in supplying prestige gifts for businesses to give to their important customers. These paperweights would have designs which incorporate the businesses' own logo. 25

Part 3: Collectable Paperweights

The artist-designed collections have proved popular in the factory shop. Sales in the factory shop are particularly strong to Japanese, American and European tourists and there is clearly an opportunity to sell directly to customers in other countries. 30

The only limit to Kate's ambition is money. Andy McLeod, the Managing Director of Lambeth Glass Ltd for over twenty years, always ensures that any new ideas for the business are affordable. He is already concerned that the recent addition of new artist-designed collections, although profitable, has increased considerably the amount of stock held by the business. Based on his informal discussions with Kate, it is clear to Andy that she has massive and costly expansion plans which will require significant investment. He is also aware that Kate has not yet carried out any market research to support her plans. Although not a family member or a shareholder, Andy has always worked for the business. He wonders whether the original founder of the company, Angus Lambeth, would have approved of the high-risk strategy that Kate is proposing. If Kate's proposal is given the go-ahead by the Board of Directors, where will the money come from? 40

Currently of more concern for Andy is a recent increase in the number of customer complaints about the quality of the glass used in the paperweights. These problems started in 2005 when Lambeth Glass Ltd changed one of its raw material suppliers away from a local supplier to a much cheaper supplier from Eastern Europe. Extra checking was introduced in 2007. This has led to more rejected products and higher costs of production (see Figs 1 and 2).

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Productivity Data for Lambeth Glass Ltd, 1997 - 2007

| Year | Paperweights Produced | Costs of Production £ |
|------|-----------------------|-----------------------|
| 1997 | 500,000 | 1,250,000 |
| 2002 | 600,000 | 1,440,000 |
| 2006 | 700,000 | 1,540,000 |
| 2007 | 750,000 | 1,950,000 |

Fig. 1

Number of Rejected Paperweights for Lambeth Glass Ltd, 1997 - 2007

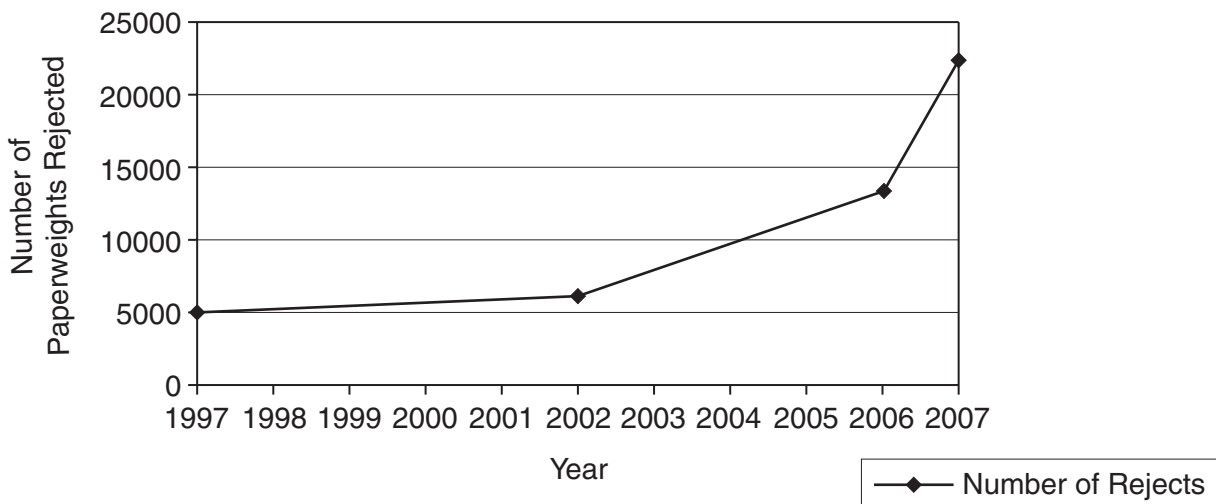


Fig. 2

Andy is also concerned about rumours in the local area about the factory's future. These rumours question the Lambeth family's commitment to the business and the continuing production of glass paperweights in the area. A recent article in the local newspaper (see Appendix 2) has made him seriously concerned about the effect on the company's reputation. He has already had formal requests from the Trade Union representatives to meet him regarding the rumours.

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As Andy sits watching the advance publicity for the 2008 Olympic Games his thoughts turn to 2012 and planning for the business opportunities presented when the Olympics are held in London. The Games are described as the "greatest competition in the world". He wonders whether Lambeth Glass Ltd has the right team for the next four years and whether it will be Gold, Silver or Bronze that will reward its performance. Or perhaps they will not even be in the race?

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Appendix 1

Examples of Lambeth Glass Ltd Products:

1. Special Events Paperweights e.g. Royal Weddings, World Cups, Olympic Games
2. Business Paperweights, e.g. Corporate Gifts, Executive Stationery, Retirement and Employee Awards
3. Collectors Market: Art Designs, Limited Editions, Series and Collections

Glass Jobs at Risk

Local paperweight manufacturer, Lambeth Glass Ltd, was unavailable for comment as rumours that its factory is about to close continue to spread. The business has already looked to Eastern Europe to supply its raw materials and is undoubtedly considering moving its production to cheaper location in countries such as Poland and Romania.

As the largest employer in the area, closure of the factory would mean a considerable loss of jobs amongst Lambeth Glass Ltd's workers (many of whom own shares in the company). The closure would also affect many other local businesses. Lambeth Glass Ltd has a duty to the community to continue in the area. It owes it not only to Angus Lambeth, its founder, but also to the workers who have given, in many cases, the whole of their working life to establish the good reputation of the business.

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