

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

For Examiner's Use

General Certificate of Secondary Education
June 2007

ECONOMICS
Higher Tier
Paper 2

3144/2H
H



Tuesday 26 June 2007 1.30 pm to 2.30 pm

<p>For this paper you must have:</p> <ul style="list-style-type: none"> the information leaflet (enclosed). <p>You may use a calculator.</p>
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Time allowed: 1 hour

Instructions

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Write your report in this booklet, starting on page 3.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The maximum mark for this paper is 84.
Four of these marks are for the Quality of Written Communication.
- The marking criteria and the allocation of marks are given on page 2.
- You are reminded of the need for good English and clear presentation in your answers. All questions should be answered in continuous prose. Quality of Written Communication will be assessed in all answers.

Advice

- You are advised to spend 15 minutes:
 - reading the task;
 - reading through all the information in the Information Leaflet;
 - identifying parts of the information that you might use in your written report.
- Writing your report should take up to 45 minutes.

For Examiner's Use			
Question	Mark	Question	Mark
1			
Total (Column 1)		→	
Total (Column 2)		→	
Quality of Written Communication			
TOTAL			
Examiner's Initials			

Tesco, the UK's most successful retailer, is continuing to expand in order to increase its profits. One of its policies is to take over small independent garages and to change them into Tesco Express stores.

A Tesco Express is a small convenience store located near to where people are shopping, working, or living.

Tesco wants to set up a Tesco Express in the area near Luncaster and has identified two possible garage sites.

Your task

As an economist working for Tesco, you have collected the information given in the Information Leaflet.

You have to identify and explain the reasons for Tesco's success, and to decide which of the two garages Tesco should take over to form a new Tesco Express.

In your report, you should:

- a. state the evidence for the success of Tesco;
- b. explain the reasons for the success of Tesco;
- c. state and explain the problems which the owners of garages A and B would face if they wanted to increase their local sales revenue;
- d. outline the reasons why Tesco might want to take over one of these garages;
- e. discuss whether the government should be concerned about Tesco taking over a large number of convenience stores and garages;
- f. recommend which of the two local garages Tesco should take over to create a Tesco Express and explain the reasons for your choice.

Your report will be assessed on your ability to:

use economic knowledge, show understanding and use information; *(20 marks)*

apply economic concepts and theories and use appropriate economic terminology and methods; *(20 marks)*

select, organise and interpret information; *(20 marks)*

evaluate evidence, make reasoned judgements and draw appropriate conclusions; *(20 marks)*

present information in a clear, legible and logical way; spell, punctuate and use the rules of grammar accurately; and enable the meaning of the text to be understood. *(4 marks)*

(Total: 84 marks)

START YOUR REPORT ON THIS PAGE

REPORT FOR TESCO

A series of horizontal dotted lines providing a template for writing the report.

Lined writing area with horizontal dashed lines.

Handwriting practice area consisting of multiple horizontal dotted lines for text entry.

A large rectangular area with a solid top border and a solid right border. Inside this area, there are 20 horizontal dotted lines spaced evenly down the page, providing a guide for handwriting.

Blank writing area with horizontal dotted lines for handwriting practice.

Study **all** the information before you begin your task.

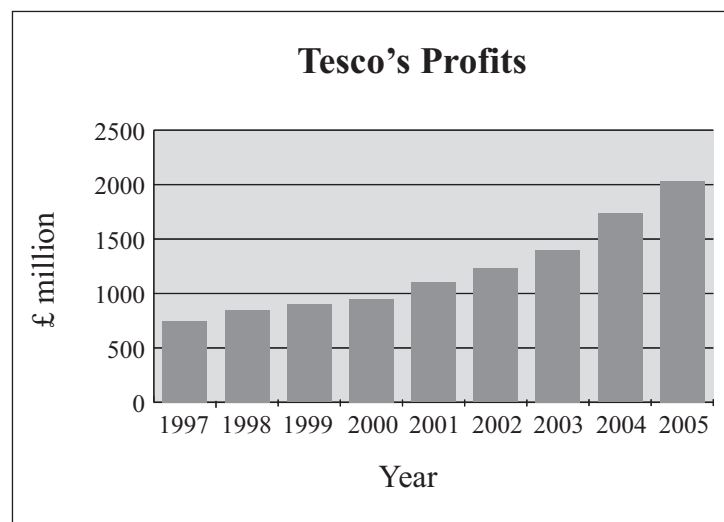
Data A

Tesco makes £2bn profit

**Leading Retailer
Breaks Profits
Record**

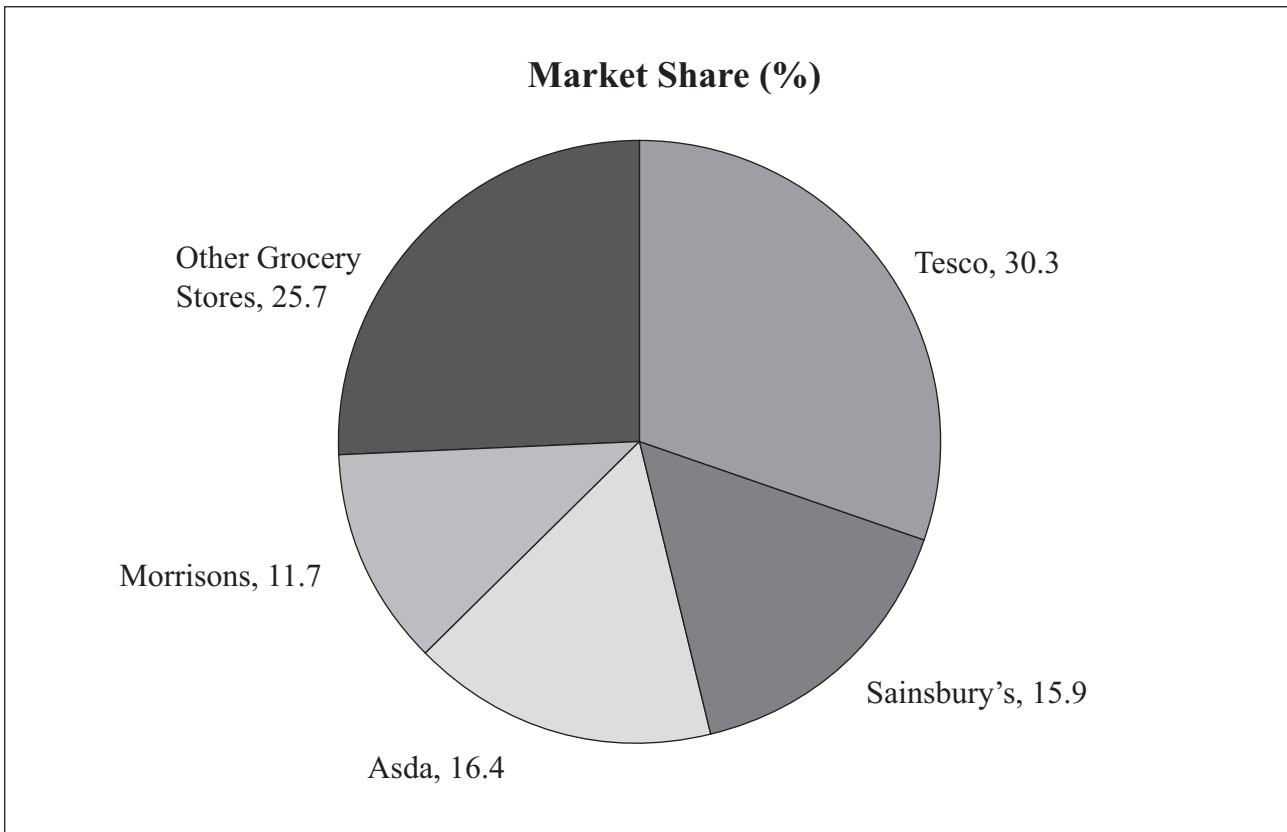
**Tesco most successful
Supermarket in the UK**

The bar chart below shows Tesco's profits from 1997 to 2005



Data B

**Tesco's
share of the UK market
rises above 30%**



- Tesco accounts for more than £1 out of every £8 spent in UK retail shops.
- Tesco is taking over many convenience stores and garages in the UK and changing them into Tesco Express stores.
- Tesco is planning to build hypermarkets across Europe and the Far East.

Data C

Reasons for the success of Tesco

- Tesco has 1250 UK stores.
- It has benefited from several years of very high consumer confidence.
- Rival retailers have many problems.
- Much of its dominance is due to knowledge of its customers and of people who shop at rival stores.
- Use of Tesco Club Card which gives customers points based on the value of their shopping. These points can then be exchanged for vouchers.

Tesco has diversified into

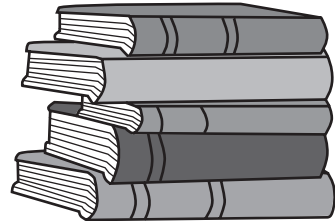
Clothing

Half of Tesco's shoppers buy clothes as well as food



Books

Tesco sold 15 million books in 2005



Use of the internet

150 000 people a week shop through Tesco.com



Personal Finance

Tesco Personal Finance now has over 5 million customers

Turn over ►

Data D
The Rivals – Who's who in the store wars

Name of Store	Number of Stores	Geographical Area
Tesco	1250	Throughout the UK
Sainsbury's	727	Throughout the UK
Morrisons	435	Throughout the UK except for Northern Ireland
Asda	279	Scotland, Wales and England Relatively few in the London Area
Waitrose	167	Mainly in the South of England and the Midlands

Data E**Garage A**

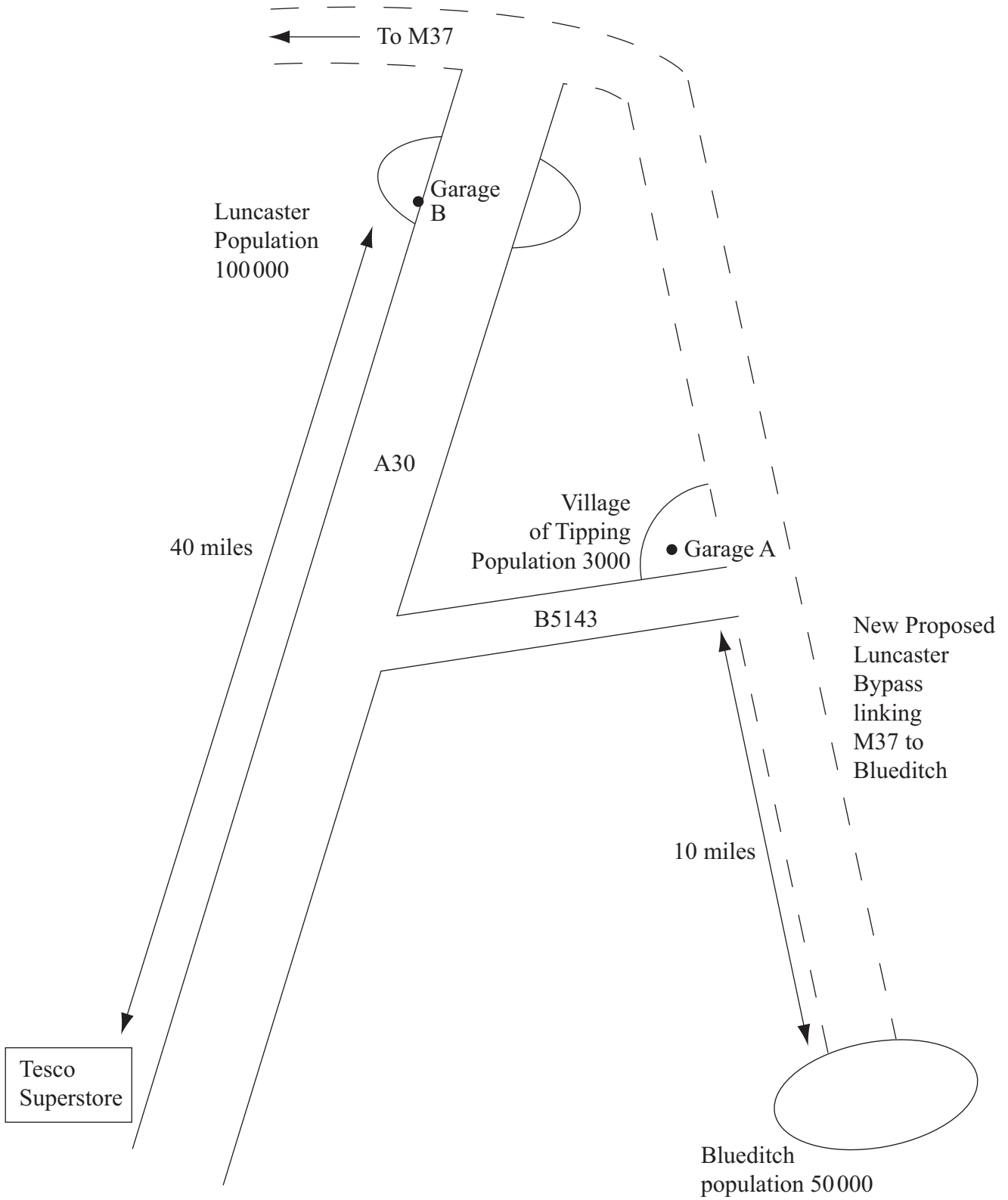
- Located in a small country village
- Only petrol station in Tipping
- Owned by Fred Lamb
- Opening hours 9 am to 5 pm
- Narrow range of goods for sale, eg newspapers, cigarettes, snacks and drinks
- 300 customers per week
- Total sales revenue of £6000 per week
- New bypass to open in 2010 which will go past the garage.

Garage B

- On a busy main road in the centre of Luncaster
- Many other shops close by
- Two other garages within 5 miles
- Owned by Clive Rodgers
- Opening hours 8 am to 8 pm
- Wide range of goods for sale, eg tins of food, bread, and fresh vegetables
- 4000 customers per week
- Total sales revenue of £120 000 per week
- The largest local factory is set to close
- Nearest Tesco superstore 40 miles away.

Data F

Location Map

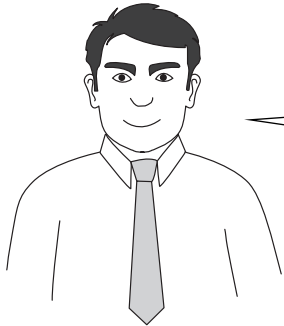


Turn over ►

Data G
Buying Habits Survey

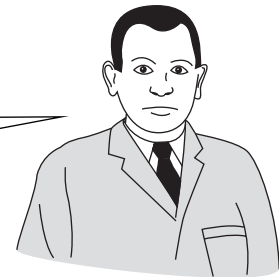
These are the results of a local survey taken at the two garages in August 2006. At each garage, 30 people aged between 20 and 60 were interviewed.

	Garage A	Garage B
1. How often do you use the garage?		
(a) Every day	5	10
(b) Once a week	10	20
(c) Once a month	15	0
(d) Never	0	0
2. How much do you spend on each visit?		
(a) £10.00	10	5
(b) £20.00	15	15
(c) More than £20.00	5	10
3. Do you spend more on petrol or other goods?		
(a) Petrol	20	15
(b) Other goods	10	15
4. What other goods do you mainly buy?		
(a) Newspapers and magazines	15	5
(b) Cigarettes	10	5
(c) Snacks and drinks	5	10
(d) Other food	0	10
5. How often would you use the garage if it became a Tesco Express?		
(a) Less often	10	10
(b) More often	20	20

Data H**Tesco's Tactics – comments from different groups**

Government's view

Tesco can take over 800 convenience stores.
Tesco does not squeeze farmers' profits.
Tesco is not too powerful.



Small Shopkeeper's view

We cannot compete with Tesco on price as
Tesco bullies its suppliers to produce
goods at the lowest possible price.



Consumer's view

We have benefited from Tesco's growth
because it has meant that rival supermarkets
have reduced their prices.



A Rival's view

At some point the government should
intervene on the grounds of competition.
We are fed up with Tesco as it buys up
many sites, so frustrating its rivals.



Newspaper Reporter's view

We think that the government should be
concerned with Tesco's expansion. It already
has 30% of the market, which is more than the
25% laid down in the definition of monopoly.

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