



**BUSINESS AND ORGANISATION
STANDARD LEVEL
PAPER 1**

Thursday 4 May 2000 (afternoon)

1 hour 45 minutes

INSTRUCTIONS TO CANDIDATES

- Do not open this examination paper until instructed to do so.
- Read the case study carefully and then answer all the questions.

CASE STUDY

VIDLER

Vidler, a supermarket in the tertiary sector, is preparing to announce job cuts among its top management in an attempt to remove a level from its organisational structure and reduce the bureaucracy in its head office.

5 Bill Adriano, Vidler's Chief Executive has ordered 600 job cuts at the New York and Chicago
headquarters including 80 senior executives, in a move to reduce head office staff by 10%,
modernise the management structure and save the company an estimated \$ 30 million a year.
None of the positions will be replaced and the proposed change is seen by shareholders as an
attempt to cut costs, in an extremely tough trading environment. The last round of job cuts
10 were made in 1994 when 650 jobs were lost, but on this occasion senior management and top
executives were not affected.

Bill Adriano is responding to shareholder pressure to take whatever action is necessary to improve trading performance. Vidler's has lost market share to Vercher, its main competitor, and needs to improve performance and regain customers in order to re-establish itself as the market leader.

Figure I Market Share information

	1999	1998
	%	%
Vidler	26	30
Vercher	28	25
Valuemart	6	6
Vintners	16	15
Other	24	24

15 Vidler completed an expensive TV advertising campaign in January 2000 which generated only a small increase in sales. Sales at Vercher rose by 4%, compared with 1.2%, at Vidler's.

At an annual shareholders meeting Bill Adriano reported the following financial information

Figure II

	1999 \$	2000 (projected) \$
Total sales	2 600 000	2 400 000
Total cost of sales	1 820 000	1 900 000
Administration costs	140 000	145 000
Selling and distribution costs	40 000	42 000
Other costs	80 000	81 000

20 Vidler's appointed a market research consultant, to undertake a \$10 million project to find out the perception consumers had of Vidler, compared to its rival, Vercher.

Figure III Main Findings of the Project

Vidler	Vercher
Dull grey and brown corporate identity	Bright modern corporate identity
Few special offers	Special offers to attract customers
Slow checkout services	Fast scanning to speed up checkout
Telephone order line	Internet ordering
Narrow aisles	Wide aisles
Staff discount	Staff bonus scheme for suggestions
Standard trolleys	Different trolleys
Small car parks	Large car parks

Vidler will use the recommendations made in the report produced by the market research consultant to decide changes that are needed to increase market share.

1. What is meant by the following terms?
 - (a) Market leader.
 - (b) Branding.
 - (c) Tertiary sector.

[6 marks]

 2. Produce **one** pie chart showing market share for each company for 1999.

[4 marks]

 3. Evaluate **three** consequences of removing a layer from the organisational structure at senior director level.

[6 marks]

 4. You are the market research consultant appointed by Vidler. Produce a report for the Chief Executive, Bill Adriano, discuss your findings and conclusions, and make at least **three** recommendations as to how Vidler could relaunch itself for Year 2000.

[8 marks]

 5. Vidler need to improve communication between store managers and their staff. Explain **three** methods they could implement in order to make communication more effective.

[6 marks]

 6. If the total sales for Vercher, in December 1999 were \$ 420 000, calculate the total sales Vercher had in January 2000.

[2 marks]

 7. Using the financial information given prepare a profit and loss account for Vidler for the year ending 1999 and the projected figures for 2000. Use **two** ratios to compare the accounts and comment on what is happening.

[8 marks]
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