

## 4200/403

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NATIONAL  
QUALIFICATIONS  
2007

MONDAY, 14 MAY  
1.00 PM – 2.30 PM

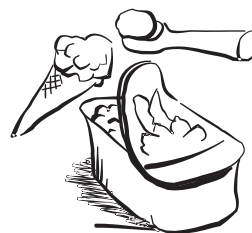
BUSINESS  
MANAGEMENT  
STANDARD GRADE  
Credit Level

- 1 Read each question carefully.
- 2 Attempt **all** the questions.
- 3 All answers are to be written in the answer book provided.



1.

## MACKIE'S of Scotland



Mackie's has 11% of the premium ice-cream market in the UK and are the brand leaders in Scotland.

Mackie's has over 500 cows—the largest Jersey herd in the UK. Jerseys are used to meet Mackie's "designer milk" requirement—because Jerseys produce the creamiest milk. The process from milking to ice-cream can be completed in under 24 hours. £600,000 has been invested in robotic milking and 9 milking robots have been installed.

Since its popularity in the 2002 Seoul Olympics—Mackie's of Asia have plans to increase from their current base of 35 branded ice-cream/cafe parlours to 200 franchises in South Korea. From there they intend to expand throughout Asia with early plans to investigate Japan. Organic produce is popular in Korea and consumer tests in Korea show similar excitement about a new fresh and natural ice cream from Scotland.

**Adapted from: [www.mackies.co.uk](http://www.mackies.co.uk)**

- |   |   |
|---|---|
| (a) Name and describe the <b>method of production</b> which Mackie's use to manufacture ice-cream. Give <b>2 problems</b> of using this method.   | 4 |
| (b) Explain the importance to the company of having a <b>strong brand</b> .   | 2 |
| (c) Give <b>2 reasons</b> why Mackie's has <b>invested in robotic milking equipment</b> for its factory.  | 2 |
| (d) Suggest and describe a suitable <b>pricing strategy</b> that Mackie's could use for its ice-cream. Justify your choice.                       | 3 |
| (e) Other than price, suggest and justify <b>3 appropriate marketing strategies</b> that Mackie's could use when expanding their market to Japan. | 6 |

2.



Amazon.com is one of the biggest “E-Commerce” businesses in the world. Amazon.com sells a wide variety of goods and services on-line. Amazon’s UK distribution centre is a large warehouse for storing stock. However, you won’t see space age robots picking goods off shelves. Labour intensive processing is used, with hands stuffing books into pigeon holes, stacking CDs onto shelves and moving electrical appliances around the warehouse floor.

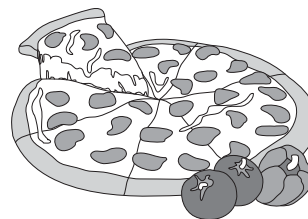
A huge banner above the workers’ heads reads “*Safety protects people. Quality protects customers*”.

**Adapted from: “The Internet” Magazine, September 2003**

- |   |   |   |
|---|---|---|
| (a) Describe the <b>features of a suitable stock storage area</b> for Amazon.   | 3 |   |
| (b) Suggest and describe a <b>suitable computerised stock control system</b> that Amazon may use to keep track of their products. |   | 2 |
| (c) Describe the <b>advantages</b> and <b>disadvantages</b> to be gained from operating as an “E-Commerce” business.              | 4 |   |
| (d) Suggest reasons why Amazon use <b>labour intensive</b> processes in the distribution centre.                                  |   | 2 |
| (e) Suggest ways in which Amazon can ensure:  |   |   |
| (i) safety of its employees in the warehouse;   |   | 3 |
| (ii) a quality service to its customers.  |   | 3 |

[Turn over

3. Fredo Franchi's fast food business has been running for one year now and he has plans to expand by opening another shop. His brother Carlo is considering joining him in partnership and wants to look at the business finances. Fredo has prepared a Cash Budget for him to look at before making a decision.



<b>CASH BUDGET—FRANCHI FAST FOODS</b>			
<b>JUNE–AUGUST 2007</b>			
	<b>June</b>	<b>July</b>	<b>August</b>
<b>Opening Balance</b>	£500	£2,300	-£1,000
<b>Cash In</b>			
Sales	£27,500	£30,000	£33,000
	£28,000	£32,300	£32,000
<b>Cash Out</b>			
Purchases	£10,600	£15,000	£13,000
Wages	£9,600	£10,500	£11,500
Expenses	£5,500	£7,800	£9,800
	£25,700	£33,300	£34,300
<b>Closing Balance</b>	£2,300	-£1,000	-£2,300

- (a) Explain the **purpose** of preparing a Cash Budget. 2
- (b) (i) Give **3** reasons why Carlo might be concerned about the cashflow situation. 3
- (ii) Suggest **appropriate action** that can be taken to improve the **3** problems you have identified above. 3
- (c) (i) Identify **2 potential problems** that Fredo and Carlo might have in forming a partnership. 2
- (ii) Suggest **2 different ways** in which they can overcome these problems. 2
- (d) What **factors** should Fredo consider before deciding where to locate his new shop? 2

4.

# PENNY-SAVE LTD



Saves-mart Stores and Pennyways supermarkets are two leading low-cost supermarkets in the UK. They have recently merged and have become “Penny-Save Ltd”. As a result of the merger the business underwent a massive restructuring process.

The business has de-layered its workforce with the loss of thousands of jobs. Penny-Save Ltd now has a flat structure, which is designed to make the business more competitive and efficient. One of the main benefits to be gained from the merger will be greater economies of scale.

Although the restructuring process will eventually save the business money, the merger has increased costs and profits are likely to fall this year. In addition, 2 major German low-cost supermarkets have announced plans to merge—this will make **them** the new market leader.

- (a) Explain how changing to a **flat structure** can make Penny-Save Ltd **more efficient**. 2
- (b) Describe **2 economies of scale** that Penny-Save Ltd can benefit from after merging. 2
- (c) Identify steps in a **decision making model** that Penny-Save Ltd could use to face competition from the new market leader. 4
- (d) Suggest and justify **2 ways** in which Penny-Save Ltd **can compete** with the new market leader. 4

[Turn over for Question 5 on *Page six*

5.



*Traditional Goodness*

About 330 jobs were lost with the closure of the Grampian Country Foods factory in Buckie, Aberdeenshire. The company said a £16m redevelopment of its site at Broxburn near Edinburgh would create 200 jobs.

The management consulted with employees in an effort to avoid redundancy. This included securing alternative employment either within the business or with other local firms. These measures were taken to avoid potential industrial action from the employees.

**Source: [www.scotsman.com](http://www.scotsman.com)**

- (a) Describe the **possible effects** of the factory closure on the local economy. 2
- (b) Suggest and justify **2 ways** in which the management could “**consult with employees**” to avoid redundancies. 4
- (c) Name and describe **2 forms of Industrial Action** which employees could take. 4

[END OF QUESTION PAPER]

## ACKNOWLEDGEMENTS

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