



GCE AS/A level

1082/01

BUSINESS STUDIES – BS2

P.M. TUESDAY, 22 January 2013

1¾ hours

1082
010001

ADDITIONAL MATERIALS

In addition to this examination paper, you will need:

- a calculator;
- a 12 page answer book.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Answer **all** questions.

Write your answers in the separate answer book provided.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (question 3(*d*)).

Answer all the questions.

1. Boots recognised as a great company to work for.

Boots is celebrating over 160 years of the Boots brand, and it is committed to making it a global brand in the coming years. It already has operations in Norway, the Netherlands, the USA, the Middle East and Thailand and it is determined to continue to market internationally in order to become one of the world's largest health and beauty pharmacy chains.



- (a) Explain **two** benefits to Boots of marketing its products internationally. [6]

Boots realises how important a well-motivated workforce has been to the success of the business. The firm was delighted to be placed at number 19 in the Times 100 Best Companies to work for. Alex Gourlay, (who started in Boots as a Saturday assistant), Chief Executive of the Health and Beauty Division says, 'We're aiming to be the UK's leading pharmacy-led health and beauty retailer. We'll achieve that by putting our customers at the heart of everything we do. We apply the same core values to our people – if they feel good about where they work and who they work for, they can deliver the legendary customer care that we are famous for. We believe that whatever field you're in and at whatever level, you should be able to take ownership of your own development and progression. We encourage open communication across the business. We're looking for the best people to care for our customers and be proud to be part of the Boots team.'

Boots provides its staff with a considerable number of benefits and rewards that recognises their contribution. These include competitive salaries, bonus schemes and a generous employee discount on purchases.

Extract from 'Our Stories': Kasim, Project Manager

My story is about launching self-checkouts in stores.

I've had a fantastic journey with Boots over the last six years. I started in the IT helpdesk and within six months I was promoted, and then promoted again six months later. I was then offered an opportunity to manage in-house technical projects worth £600,000. I love my job; I love the accountability, the feeling of 'I did that' when your projects go live in the business. It gives me a great sense of achievement. One of my favourite 'I did that' moments was when we launched the self-checkouts in stores. I was involved in the whole process – picking the stores, designing the layout, working directly with the stores, managing contracts, even the merchandising.

One of the main reasons I've stayed with Boots is that I've been able to move around the business in different departments in a variety of roles. It's a company that enables you to achieve your goals. You get total support from the business (and your colleagues) and they really invest in your training and development. It makes it such a nice environment to work in.

Source: www.boots.com

- (b) Assess the possible advantages, to retailers such as Boots, of having a well-motivated workforce. [6]
- (c) How can Maslow's theory of motivation be used to explain the high levels of motivation in Boots' workforce? [8]

2. Difficult times at Jonson's Pallets Ltd.

Bethan Jonson, Managing Director at Jonson's Pallets Ltd, sat in her office reviewing the latest production figures for the wooden pallets that the business manufactures for sale to the distribution and transport industry in the UK. Five years ago the business was consistently operating at 100% capacity utilisation and the factory was extended to cope with the growing number of orders coming in. By the end of 2012 the picture was entirely different and the economic recession meant that it was currently operating at less than full capacity, forcing up the unit cost per pallet considerably. Whilst operating at 100% capacity utilisation had had its problems, the current situation was proving much worse.



Bethan was also very concerned about losing a number of contracts to competitors in recent months and the failure of the company's Sales Team to generate any new orders. There was no doubt that trying to market pallets to the transport industry during an economic downturn was proving to be very difficult indeed. In an attempt to give the Sales Team a boost, she decided to call in an industrial marketing consultant to give her team expert advice on **industrial marketing** methods. She hoped this advice would help achieve the increase in sales the company so badly needed.

Table 1. Jonson's Pallets Ltd. Output, Cost and Price figures – 1 January to 31 December 2012

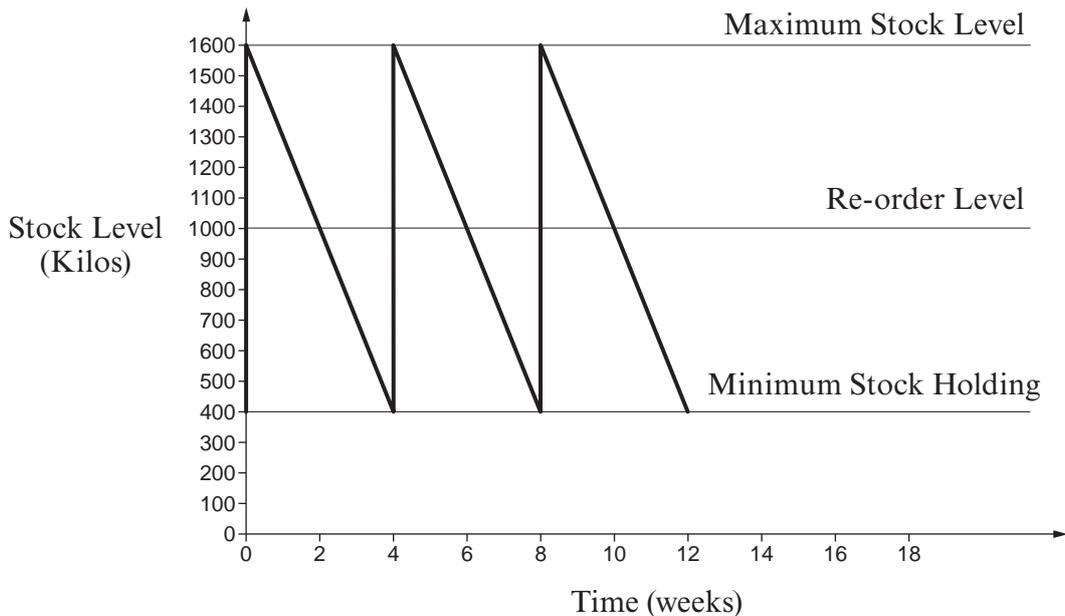
Maximum possible output (100% capacity)	400 000 units
Actual output	240 000 units
Variable Costs (per unit)	£6
Fixed Costs	£360 000
Selling Price (per unit)	£14

- (a) (i) What is meant by *industrial marketing*? [2]
- (ii) Analyse the possible methods that the members of the Sales Team might use when selling their products to their industrial customers. [6]
- (b) Calculate the profit that the company would have made if it was producing at maximum possible output over the year, rather than at actual output. (Assume that variable costs per pallet remain the same at £6 per unit and all pallets are sold at a price of £14 each. Show your workings.) [5]
- (c) (i) Calculate the actual percentage capacity utilisation for Jonson's Pallets Ltd. (Show your workings.) [2]
- (ii) Explain the advantages and disadvantages, to a manufacturing business such as Jonson's Pallets Ltd, of operating at 100% capacity utilisation. [8]

3. It's not all sweet at Candy Cakes Ltd.

Production Manager, Charlie Woods, had just received an e-mail from his suppliers in the West Indies that the latest order of top quality sugar was unlikely to be delivered on time – yet again. Unfortunately he had recently decided to reduce his **buffer stock** of this type of sugar in order to save costs.

Candy Cakes Ltd's Sugar Stock Control Diagram.



(a) Explain the following stock control terms:

- (i) lead time;
- (ii) re-order quantity;
- (iii) buffer stock.

[6]

(b) Examine the stock control diagram for Candy Cakes Ltd's sugar and give the value of the following:

- (i) lead time;
- (ii) re-order quantity;
- (iii) buffer stock.

[3]

Whilst there are other suppliers Charlie might use, this top quality sugar is a vital ingredient and gives Candy Cakes Ltd products a unique flavour, which differentiates them from those of their many competitors. This has enabled the company to charge premium prices in an increasingly competitive market. Having to withdraw 50 000 sponge cakes from sale last year, as a result of an error on the production line, was still fresh in his mind. He believed another mistake could cost him his job and the news of a late delivery was just what Charlie did not need.

The arrival of the agenda for the monthly management meeting only served to make Charlie even more concerned.

February Management Meeting.

AGENDA

1. **Departmental Budgets** – *Managing Director*
2. **Report on High Staff Turnover** – *Human Resources Manager*
3. **Breakdown of Pay Negotiations** – *Human Resources Manager*
4. **Monthly Sales Figures/Competitors' activities** – *Marketing Manager*
5. **Implementation of new TQM programme** – *Managing Director*
6. **Any other business.**

Failure to meet the deadline for the submission of their departmental budgets last year had resulted in Charlie and Mike Prentice (the Sales and Marketing Manager) receiving a long lecture from the Managing Director, on the importance of budgetary control. Charlie was behind with his budget again this year.

In addition, the imminent introduction of the Total Quality Management (TQM) programme was simply adding to his stress levels. He knew it would force him to improve all aspects of his department's performance. Trying to achieve continuous improvement was something he knew would be very challenging.

Charlie rang Mike to see if he had his departmental budget ready and to share his worries over the new TQM programme. Mike said 'I know the Managing Director has great faith in all these quality initiatives: whilst the new TQM programme will solve some of our problems, there are many other issues that this company needs to deal with if we are to be successful next year'. This did nothing to make Charlie feel any better.

- (c) Evaluate the usefulness to Candy Cakes Ltd of constructing a budget. [8]
- (d) Discuss the view that the introduction of the new Total Quality Management (TQM) programme will solve some, but not all, of the company's problems. [10]

END OF PAPER

BLANK PAGE