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| Candidate<br>Name | Centre<br>Number | Candidate<br>Number |
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**GCE AS/A level**

1081/01

**BUSINESS STUDIES**

**BS1**

A.M. TUESDAY, 12 January 2010

1¼ hours

| For Examiner's Use Only |              |                 |
|-------------------------|--------------|-----------------|
| Question                | Maximum Mark | Examiner's Mark |
| 1                       | 8            |                 |
| 2                       | 18           |                 |
| 3                       | 6            |                 |
| 4                       | 8            |                 |
| 5                       | 10           |                 |
| Total                   | 50           |                 |

**INSTRUCTIONS TO CANDIDATES**

Answer **all** the questions in the spaces provided.

Write your name, centre number and candidate number in the spaces at the top of this page.

**INFORMATION FOR CANDIDATES**

Mark allocations are shown in brackets.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (question 5).

*Answer all the questions in the spaces provided.*

1. www.gobritaingo.com is a web site whose primary aim is to promote the sale of British goods and services. The site is a database of companies, currently 164 of them, all of which are hoping to take advantage of a global economy to sell their goods and services.

(a) With the aid of examples, distinguish between goods and services. [4]

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(b) Explain **two** advantages to British businesses of operating in a global economy. [4]

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(ii) .....

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2. INNOCENT LTD ROLLS OUT THE VEG

Richard Reed wants to push his thriving smoothie drinks company into food, but with a recession looming and Pepsi breathing down his neck is this smart?

Yorkshire born Reed, aged 35, heads Innocent Ltd a nine-year old company. When it started, smoothie drinks (pulped fruit drinks with no additives) were a niche market, but now they have become part of a mass market and Reed’s stake alone may be worth £200m.

As the market has grown, Innocent Ltd has built up important assets including a formidable brand (loved and trusted by many), a reputation for using healthy ingredients, supporting eco-causes and having its products widely available in supermarkets and other outlets.

Innocent Ltd now has plans to develop Veg Pots which are vegetarian ready-meals designed to appeal to the office lunchtime market as a healthy alternative to sandwiches. Each 300 calorie pot is said to provide three portions of the recommended five fruit and vegetables a day.

For the Veg Pots to succeed, the company will have to convince people that they are as tasty as the fruit smoothies and worth the hefty price tag. It remains to be seen whether this is an extension too far, or whether consumers will make Veg Pots part of their everyday lunchtime buying habits.

A move to this type of product will enable Innocent Ltd to maximise its assets to the full and to focus on asset-led marketing as opposed to the market-orientated approach it relied on when launching the smoothies.

If Veg Pots become successful, Innocent Ltd might wish to consider becoming a public limited company (plc).

*Adapted from The Sunday Times, 14 September 2008 and www.reportbuyer.com*

(a) Explain **two** problems that businesses in a niche market might face.

[4]

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(b) What advantages does an asset-led marketing approach to the sale of Veg Pots have when compared with the market-orientated approach used by Innocent Ltd when launching the fruit smoothies? [6]

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**Question continues on page 6**

(c) Discuss whether or not Innocent Ltd should become a public limited company (plc). [8]

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**3. STARBUCKS**

Starbucks originally started as a retailer of coffee beans, not the chain of coffee shops that we know today. Howard Schultz joined the company as a young salesman but he later left it to pursue his real passion, setting up coffee shops, and a few years later he returned to buy the Starbucks company, including the name, and the business became vertically integrated.

*Adapted from www.Techiteasy.org*

Explain the possible benefits to Starbucks which might have resulted from vertical integration. [6]

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#### 4. NEVER TO WORK AGAIN

The deepening economic downturn brought about by the credit crisis, is affecting stakeholders in almost all types of business.

Northern Foods plc announced this morning that it plans to close its Fenland Foods factory in Grantham, Lincolnshire. Fenland Foods supplies ready-made meals to supermarkets, but the ovens will go cold in August when Marks and Spencer halts its orders for the Italian ready-made meals. Colin Gunter will be one of 738 employees out of work when the factory closes.

“There was no warning” said Mr Gunter, aged 49. “They just made the announcement and the reaction has ranged from disbelief and bewilderment to worry. Fenland Foods was one of the largest employers in the town.”

“The competition for jobs will be fierce”, he predicted. “I’ve been employed here for 19 years and I am not getting any younger. For people like me, we may not work again. I need to be employed, as I have a mortgage to pay.”

In the face of falling sales, large retailers such as Marks and Spencer are under pressure to keep prices down and are in turn putting pressure on suppliers to avoid price increases or even to lower their prices. At the same time, their suppliers such as Northern Foods plc are facing increased costs, resulting from higher fuel costs and the rising price of food ingredients, such as wheat and vegetable oil.

*Adapted from The Times, 12 June 2008*

Assess the likely impact of the closure of the Fenland Foods factory on the stakeholders of Northern Foods plc. [8]

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**Turn to page 10 for question 5**

**Total Mark**

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5. LOCATION, LOCATION, LOCATION

Where to locate a business is a crucial decision because it will have an important impact on its sales, costs, profitability and perhaps even its survival. However, whilst some experts will tell you that location is absolutely vital to business success, others argue that it really does not matter where a business is located. Is it possible that both sets of experts are right?

To what extent are the factors that affect location more important to the success of some types of business than others? [10]

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