

Pearson Edexcel GCE

Business Studies

Advanced

Unit 4A: Making Business Decisions

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Paper Reference

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Pre-release material

To be opened on receipt

Advice to Centre Staff and Candidates

- Candidates are expected to be familiar with the evidence provided here for the Unit 4A question paper before entering the examination room.
- A copy of this pre-release material will be included in the question paper, together with some new evidence, which you should study carefully before answering the questions.
- Candidates will not be allowed to take copies of this pre-release material into the examination.

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Evidence A

Greggs announces weaker sales but keeps expansion plans

Greggs has seen a slowdown in sales as customers spend more cautiously but the bakery chain still plans to forge ahead with expansion plans that will create up to 800 new jobs in 2012.

The group opened a record 98 stores in 2011, bringing the total to 1,571 at the end of the year, and said it would open 90 more outlets than it shuts in 2012.



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Greggs has increasingly been opening stores away from the high street, in locations such as Newcastle railway station, Swansea and Bristol bus stations, retail parks and shopping centres to reflect changing shopper trends. It is also trialling a site at a motorway service station on the M6, which has the potential to lead to 30 more.

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The group recorded a rise in net profits as its meal deals and breakfast baps proved popular with consumers and it sold a record 17.3 million cups of coffee.

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Chief Executive Ken McMeikan said he believed Greggs still had a future on high streets, but the business was increasingly following customers to where they work and travel. "We are still finding if we get the right location on the high street, those shops are still performing well wherever they are in the country."

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Greggs has benefited from the closure of other stores, allowing it to get cheap deals on prime high street locations.

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(Source: adapted from <http://www.thisismoney.co.uk/14 March 2012>)
(Map image: adapted from Greggs PLC reports and accounts 2010)

Growing Greggs

We estimate that about 50% of the UK population does not currently have access to a Greggs shop and therefore believe there is potential for an additional 600 shops in the UK in the next few years.



(Source: adapted from *The Guardian*, 19 October 2011)

Evidence B**Greggs PLC – selected Financial information adapted from:
Preliminary results for the 52 weeks ended December 2011**

	2011		2010
	(£'000)		(£'000)
Revenue	701 088		662 326
Gross Profit	428 310		409 675
Net Profit	60 500		52 523
Current Assets	55 447		57 982
(of which stock)	14 274		11 883
Current Liabilities	80 893		77 546
Capital Employed	198 383		176 227
Long-term Liabilities	29 724		30 792

Evidence C

The kettle's on, so don't be long...

You're invited to our new trial coffee shop to enjoy a refreshing drink and classic British food at Northumberland St. Newcastle NE1 7PG

We know that you would love to enjoy a great value coffee shop when you're out shopping and meeting friends so that's why we've developed Greggs moment. Newcastle is home to Greggs and we have so many fans that we thought we would treat you to this new trial coffee shop first. We'd love your feedback whether you are living, visiting or shopping in Newcastle city, so please pop in and visit us.

Cream tea £2.99

Chatting with friends, reading the paper or escaping the weather, what would your ideal Greggs moment be? Share it with us on

Discover our finest quality tea

Why our coffee takes some beating

We'd love your feedback

GREGGS moment

(Source: www.greggs.co.uk)

Greggs announces plans to open coffee shops

Greggs has announced its 2012 expansion plans, including the roll-out of its Moment coffee shops and diversification from its traditional high street presence.

Ken McMeikan spoke of the company's aim to open two or three more of its new concept outlets, Greggs Moment, in 2012:

"We haven't decided on locations yet, but it might make sense to keep it up in the north near our Newcastle bakery. We're pleased with its performance so far and the prices we charge for food, coffee and other beverages at Greggs Moment are up to 30% less than some of the big coffee shop players in the UK market, including Starbucks and Costa. Coffee sales are growing in our existing Greggs outlets, so it's a good market to go into."

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(Source: adapted from www.bakeryinfo.co.uk – 12 January 2012)

Evidence D

Basic schedule for the re-fit of a Greggs outlet.

	Activity	Duration (hours)	Preceding Activities
A	Finalise store design on site	3	-
B	Measure store for equipment	3	A
C	Remove old equipment	12	A
D	Order and receive new equipment	36	B
E	Update store electricity connections	12	C
F	Update lighting and other fixtures	24	C
G	Install new equipment	12	D
H	Test new equipment	4	E, G
I	Tidy/deep clean refitted store	6	H
J	Return seating, chairs and previous fixtures	4	I

**NB – assume 12 hours = 1 working day
72 hours = full working week (6 days)**

Evidence E

Budget 2012: Greggs sausage rolls to be hit

Currently, most hot takeaway food such as meals bought from a restaurant or fish and chip shop are subject to VAT. However, a small number of items have managed to avoid the tax, including sausage rolls and hot bakes sold by some outlets, notably Greggs.

Greggs sells 140 million sausage rolls every year. It had successfully argued – following a lengthy and complex VAT tribunal – that the products are baked in store and just happen to be hot. As a result its hot pastry products were free of VAT. 5

However, the 2012 Budget announced that VAT would apply to the sale of all hot food such as sausage rolls. A source at the Treasury said: “We want to remove all these anomalies. This is a big step towards simplifying the VAT system.”

Lorraine Parkin, head of indirect tax at Grant Thornton Accountants, said: “At a time when retailers are operating in a very challenging economic environment, this VAT change will further reduce their profits unless they are able to pass the tax increase on to their customers. For many retailers there could be administration costs incurred in programming the VAT liability change in to their accounting systems. With the current squeeze on consumer spending, retailers are most likely to carry the burden.” 10

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(Source: adapted from *The Guardian*, 22 March 2012)

Evidence F

How Penna helped Greggs find the best ingredients

Greggs is the leading bakery retailer in the UK. Although enjoying success, in 2009 it became clear that there were problems with both recruiting and retaining effective sales assistants known as Team Members.

Greggs' recruitment process for Team Members was both time and resource intensive. What's more, labour turnover was high (33–50%). Greggs believed this was partly due to job applicants' unrealistic expectations.

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Penna's challenge was to develop a quick, efficient and cost-effective process to recruit Team Members, which also provided a realistic view of their role.

Note – Penna is a global HR Services Group.

(Source: adapted from http://www.penna.com/about-penna/case-studies/project-detail/greggs_res_private)

Evidence G

Looking after our staff



We began as a family business. Today we still work together and grow together just like a real family. With over 20,000 people working at Greggs, we want everyone to enjoy the work they do and feel proud to be part of the Greggs family.

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We want our people to feel rewarded, valued and engaged in the business. We want all members of our Greggs family to share in our success when our business is doing well, that is why every individual working at Greggs is eligible for profit share, paid twice a year.

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We also offer SAYE (Save as You Earn) schemes and an annual Employee Opinion Survey, where we encourage our people to tell us what it's really like working for Greggs and how we can improve.

Some of our other staff benefits

- Between 21 and 25 days' holiday. (And extra days when you reach 10, 20 and 25 years' service.) 15
- A special card that gets you 50% off most of the food on your shop's (or nominated shop's) shelves.
- A pension scheme, which you can join in either April or October, after you've been part of our family for six months (immediately for managers).
- Childcare vouchers which (if you qualify for them) could save you anything from £75–£99 per month on registered or approved childcare (nurseries, childminders, afterschool clubs etc.) for children aged between 0–16. 20
- Life assurance, which you'll get (for free) after a year (immediately for managers).
- Lots of incentives – from Shop of the Year to quarterly targets and awards dinners, we're big fans of competitions (and the prizes at the end of them). 25
- Lots of social activities, like our Long Service Awards or our Annual Dinner Dance, that give us the chance to get together outside of work.
- An employee assistant programme (offering help and support on a range of issues including medical and legal questions), to help you stay happy and healthy.

(Source: adapted from <http://www.greggsfamily.co.uk/about-us/our-benefits.aspx>)

Evidence H

Greggs Foundation

The Greggs Foundation is a registered charity, established in 1987 by Ian Gregg, who believed that successful organisations have a duty to do positive things with part of their profits and help people living in disadvantaged areas.

The Greggs Foundation receives contributions from: Greggs plc; employees through Give As You Earn; donations from major shareholders; investment income; and staff fundraising activities.



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Greggs Breakfast Clubs

Each year Greggs donates £225,000 to the Greggs Foundation for the award winning Greggs Breakfast Club programme. Our Breakfast Clubs provide a free breakfast for primary school children in areas of particular social disadvantage. The programme has been shown to contribute to improved attendance and classroom performance and to strengthen the partnership between schools and the community in which they operate.

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Primary schools are supported in establishing a pre-school breakfast club, which provides a simple but nutritious breakfast, entirely free of charge, for all pupils in a safe, fun environment. This is possible because of the partnership between Greggs, who fund the equipment and foodstuffs, and volunteers from the school community who prepare and serve the meals.

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The children are served a healthy breakfast of cereals, toast, milk and juice. The toast is made from bread collected from the local Greggs shop.

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(Source: adapted from <http://corporate.greggs.co.uk/greggs-foundation>)