

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

Booker PLC given green light for Budgens deal 2015



Booker PLC, the UK's biggest cash and carry operator, has been given the green light by the Competition and Markets Authority (CMA) to take over grocery chain Budgens.

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The £40m acquisition will strengthen Booker's high street presence, alongside its Premier and Family Shopper brands. Budgens is currently owned by Musgrave Retail Partners and made an operating loss before exceptional items of £7.4m in 2014. Budgens has 167 stores, with sales of £329m in 2014.

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The acquisition is expected to complete on or before September 2015. Charles Wilson, Chief Executive of Booker Group, said: "We are pleased that the acquisition of Budgens has been cleared by the CMA. This will help strengthen our support for independent retailers throughout Great Britain."

Wilson stated the Budgens brand would be retained, but would benefit from an improved national supply chain. Increased scale and operational efficiency would help to lower prices, while retailers would benefit from its delivery and cash and carry service. "This transaction should strengthen Londis, Budgens, Premier, Family Shopper and other Booker retailers by improving choice, prices and service to consumers. Overall it will help independent retailers prosper."

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(Source: adapted from © Telegraph Media Group Limited 2016)

Evidence B

Budgens history

Budgens was founded in 1872 in Notting Hill and started as a small, local grocer in South East England. The Budgens name later appeared on a number of stores throughout the South of England, establishing a reputation for servicing the local communities around England's high streets and small towns. In 1896, the company formally incorporated as Budgen & Company Limited. Throughout the twentieth century its ownership changed, culminating in its acquisition by Booker PLC in 2015. 5

Although one of the smallest of the United Kingdom's top supermarket groups, it has successfully carved out a niche for itself among its rivals by focusing on local and city-centre markets. Budgens operates supermarkets and convenience stores, primarily in England's Southern and Midlands regions. In addition to its emphasis on local markets, and the so-called 'top up' trade, Budgens has differentiated itself through the high proportion of fresh foods at its stores, representing as much as 40% of total store items. 10

(Source: adapted from <http://www.referenceforbusiness.com/history2/39/Budgens-Ltd.html#ixzz3wqLdSF3M>)

Evidence C

Investment Appraisal for a Budgens refit of its Harleston store

Estimated capital cost of refit is £220 000

Year	Net cash flow (£)
0	(220 000)
1	85 000
2	75 000
3	60 000
4	45 000
5	30 000

Discount factors for 1% interest rate

Year	Discount factor
1	0.990
2	0.980
3	0.971
4	0.961
5	0.951

(Source: adapted from <http://www.cimaglobal.com/>)

Evidence D

Extract from Booker PLC's financial information

Profit and Loss

	2015 (£m)	2014 (£m)
Turnover	4 753	4 681.6
Cost of Sales	4 524.8	4 475.4
Gross Profit	228.2	206.2
Operating (loss) Profit	140.3	123.8

Balance Sheet

Fixed Assets	676.4	664.4
Current Assets		
Stock	328.1	327.6
Debtors	124.5	113.6
Cash	147	149.6
<i>Total Current Assets</i>	599.6	590.8
Current Liabilities	605.9	602
Long-term Liabilities	72	56.6
Capital Employed	670.1	653.2

(Source: adapted from Booker PLC reports and accounts 2015)

Evidence E

2015 supermarket trends



For years supermarkets went out of their way to try and keep shoppers in their stores as long as possible. Bread, milk and eggs would always be near the back in the expectation that shoppers would grab an impulse purchase along the way – and anyone looking to whip up a meal from scratch would have to trek through several aisles to find the individual ingredients.

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However, the old mindset appears to be changing as supermarkets wake up to the time constraints on shoppers – that they are much more likely to give up than wade through a maze of signs and endless varieties of what is basically the same product.

To combat shopper fatigue, Tesco has launched a trial in 50 stores in an attempt to help customers out and get them on their way quicker. Simple initiatives have been brought in, such as tinned tomatoes sitting next to the herbs, spices and salt, with pasta nearby. And home baking products will all be together to help those consumers inspired by the Great British Bake Off.

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The change comes as discounters Aldi and Lidl, which only offer between 2,000 and 3,000 lines, continue their march to high street domination. That compares with Tesco's 90,000 lines a few years ago, cut to around 20,000 by 2015. Retail expert Steve Dresser, who regularly visits stores to check the products and layouts, pointed out: "Tesco have a really bloated range, which is arguably part of their issue across so many categories. They just offer too many products, which makes it difficult for customers to shop... too many products, prices and offers." Within the Tesco dishwasher tablet range, there are an overwhelming 64 different types. Even Asda and Sainsbury's only offer 48. Aldi, by comparison, has four.

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For years psychologists have suggested that providing too much choice can create anxiety, as shoppers fret over the vast amount of products in front of them. Some psychologists have suggested this is the reason for Aldi and Lidl's impressive growth – that the choices are stripped back.

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The shop layout changes are not exclusive to Tesco, which has also removed the endless signage for certain brands, which pay thousands of pounds for the privilege. Others are taking notice. Morrisons' new boss, David Potts, revealed on Thursday that he wanted his stores to be simpler. The supermarket has already removed messages such as "great offers" from overhead, just leaving the store navigation signs. Signs displaying unit prices are now bigger, so customers can quickly compare prices of products that are different weights, instead of agonising over mental arithmetic.

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Mr Potts also revealed his belief in 'less is more' when he said end-of-aisle promotions will feature just two or three products on display, instead of the typical seven or eight.

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At Sainsbury's there are also changes under way. Earlier this year bosses showed off new technology, with apps that allow consumers to put in their shopping list and be directed to the exact location on the aisle, to save time. And with the rise of convenience stores, supermarkets have been quick to catch on to the trend that customers want to 'scratch

cook' – putting meal deals for stir fries, with meat, vegetables, noodles and sauces, all on the same shelf.

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So, gone are the days of supermarkets thinking the best way to lure customers in is with misty vegetables and aromas of freshly baked bread being pumped through the store. And now here come the days of hi-tech stores wowing customers with innovations and simplicity that could get them spending again.

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(Source: adapted from <http://www.independent.co.uk/news/business/analysis-and-features/supermarkets-wake-up-to-reality-of-time-poor-shoppers-10497671.html>
Picture: <http://www.dailymail.co.uk/news/article-3227169/Tesco-rearrange-stores-similar-products-near-cut-range-called-Aldi-fication-move.html>)

Evidence F

The Booker Group

	Budgens (not in Scotland at present)	Londis	Premier	Family Shopper
Format	Grocer	Convenience	Convenience	Local discount
Main consumer demographics	ABC1	All	All	C2D
Size 000 sq ft	3–12	1.2	1.5	2
No of UK stores	167	1,630	3,080	30
Sales £m 2014/15	329	504	942	12
Convenience market share %	1.4	2.8	5.2	n/a

Evidence G

Booker boss Wilson outlines strategy for Londis and Budgens stores

Charles Wilson, Booker's Chief Executive, will focus on the following objectives: improving the quality of the fresh offer in stores; strengthening its own brand ranges; and creating a more efficient supply chain. Booker took control of Budgens, 167 stores, mainly in the southern counties. It already owns 3,080 stores under the Premier Stores symbol group, which thrive in 2015 in the Midlands and the North.

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Wilson said the Group was putting a lot of energy into improving the core business of Budgens. He added: "We believe there is a real opportunity to help retailers refine their formats to fit the target consumer they have got." But he has already been encouraged by the way the stores have been trading: "One month in, I'm really pleased. We've spoken to an awful lot of customers and on the whole they are happy to see them within the Booker Group. We are starting to show the retailers some of the benefits of being part of the Group. We are showing them what we are doing to improve their private label and improve their volume and scale."

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Wilson said Booker's corporate strategy of broadening the business had worked well to date and he expected that to continue. "Alongside the Premier Stores we've got and the Family Shoppers, with the support of Budgens, we can grow all of those businesses. That's what we are keen and excited to do."

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(Source: adapted from <http://www.racplus.com/news/booker-boss-wilson-outlines-strategy-for-londis-and-budgens-stores/8690522.fullarticle>)