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<h1 style="margin: 0;">Business</h1> <p style="margin: 5px 0;">Advanced</p> <p style="margin: 0;">Paper 3: Investigating business in a competitive environment</p>			
Monday 18 June 2018 – Morning		Paper Reference	
Time: 2 hours		9BS0/03	
You must have: Insert (enclosed)			Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- There are two sections in this question paper.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- You may use a calculator.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Answer ALL questions.

SECTION A

Read the following extracts (A to D) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Maltesers take top spot in UK chocolate market in 2015

Position	Brand	Manufacturer	52 weeks to 14/09/14 revenue in £m	52 weeks to 13/09/15 revenue in £m
1	Maltesers	Mars UK Ltd	47.1	49.7
2	Cadbury's Dairy Milk (CDM)	Mondelēz International	53.4	44.6
3	Galaxy	Mars UK Ltd	33.7	36.6
4	Snickers	Mars UK Ltd	33.8	35.0
5	Mars Bar	Mars UK Ltd	30.5	29.6
6	M&Ms	Mars UK Ltd	21.3	25.1
7	CDM Buttons	Mondelēz International	23.4	23.7
8	Twix	Mars UK Ltd	24.4	22.9
9	Twirl	Mondelēz International	20.7	22.5
10	Kinder Surprise	Ferrero Ltd	19.7	22.0

(Source: © Carnyx Group Ltd 2017)

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Extract B**Flexible working at Nestlé UK**

Nestlé is a truly multicultural company operating in 197 countries. It has 339 000 employees worldwide. Job roles range from engineering, production and technical, to research and development, finance, marketing and purchasing, with some employees working across different departments.

5

Nestlé has introduced a number of measures to help staff achieve the right work-life balance. These measures include allowing people to work flexible hours as opposed to common start and finish times, working from home and creating a dog friendly office at Gatwick HQ.

(Source: adapted from © Société des Produits Nestlé S.A. 2004)

Extract C**Global dark chocolate market 2015–2019**

Global dark chocolate sales are expected to rise from \$34.25bn to \$51.7bn by 2019 – an average 9% each year up to 2019 – according to market research company, Technavio.

'A growing awareness of the health benefits of dark chocolate (improved blood flow, enhanced cognition and better metabolism) is likely to lead to a considerable rise in consumer demand in the next five years,' states Technavio's report.

5

'There is also a growing demand for dark chocolate in developing countries, driven by a rise in incomes and changes in eating habits with growing urbanisation.'

India is the fastest growing chocolate market in the world, partly driven by rising demand for dark chocolate, such as a dark chocolate version of Nestlé's Kit Kat Senses.

10

Europe makes up 45% of the global dark chocolate market, followed by 32% in the Americas, 12% Asia-Pacific and 11% for the rest of the world.

(Source: adapted from © William Reed Business Media Ltd 2017)

Extract D**Thorntons sold**

Thorntons has failed to revive its chocolate manufacturing business, despite opening more of its own stores and increasing sales through supermarkets.

Ferrero International, with global revenues worth over £8bn (2015), has purchased Thorntons for £112m to expand its operations in the UK, a market estimated to be worth £6bn in sales. 5

The takeover marks the loss of another British chocolate business to an overseas buyer. Cadbury and Green & Black's were sold to the US business Kraft Foods Inc (now Mondelez International) in 2010, while Rowntree was sold to Nestlé in 1988.

In 2014, Ferrero International purchased the world's largest hazelnut processor, the Oltan Group for an undisclosed sum. Hazelnuts are one of Ferrero's key commodities, which it uses for its luxury Ferrero Rocher chocolates, Nutella and Kinder Bueno. 10

The Oltan Group, based in Trabzon, Turkey, was previously under family ownership. It has five production facilities exporting to the EU and global markets, with an annual turnover of £600m. 15

(Source: adapted from © Guardian News and Media Limited 2014
and © William Reed Business Media Ltd 2017)

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- 1 (a) Using the data in Extract A, assess **two** benefits of branding for a chocolate manufacturer, such as Mars UK Ltd.

(8)

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(b) Assess the likely value of having a flexible workforce for a business, such as Nestlé.

(10)

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- (c) Assess the importance of cultural and social factors that might affect the sales of dark chocolate in emerging economies, such as India.

(12)

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In 2014 Ferrero International took over the Oltan Group. In 2015 it took over Thorntons.

- (d) Using the data in Extract D, evaluate these two takeovers and recommend which **one** is most likely to have affected the profits of Ferrero International.

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS

SECTION B

Read the following extracts (E to H) before answering Question 2.

Write your answers in the spaces provided.

Extract E

Cadbury chocolate

Cadbury chocolate is a well-known global business, with nearly \$4bn in sales. This is forecast to grow to \$6bn by 2020. Cadbury has a history spanning nearly 200 years, when John Cadbury opened his first grocery shop in 1824 in Birmingham, UK, to sell cocoa and drinking chocolate. The first Cadbury's chocolate bar was sold in 1847 and the iconic Dairy Milk bar was launched in 1905.

5

Since then over 200 different chocolate products have been produced, including Flake, Wispa, Buttons, Curly Wurly and the Cadbury Crème Egg, which is mainly sold at Easter. Cadbury chocolate is sold in 40 countries and manufactured in 10.

(Source: adapted from © Mondelēz International)

Extract F

Profit or social responsibility?

Cadbury used to be committed to using Fairtrade cocoa beans to produce its chocolate. Fairtrade meant that up to 200 000 cocoa farmers in countries, such as Ghana and Ivory Coast, earned a minimum of £1 600 per tonne of cocoa sold. In November 2016, Cadbury switched to a new cocoa production partnership known as Cocoa Life, which does not apply the same price rules and does not guarantee other ingredients, such as nuts, sugar or raisins, are responsibly sourced.

5

Raisins had been the dry fruit of choice in a Fruit & Nut bar for 90 years. At the end of 2015, sultanas were added 'to give more variation'. Sultanas are cheaper than raisins.

One of the benefits of working for Cadbury was that you were looked after in retirement. Former employees were given a gift of chocolates at Christmas. Mondelēz International scrapped the gifts, claiming it needed to save money to help plug the company's pension deficit.

10

By contrast, Mondelēz International has recently taken steps to be more socially responsible – such as pledging that all its standard-sized 'single-serving' chocolate bars would contain less than 250 calories by the end of 2015. This was in response to the UK government's voluntary anti-obesity policies.

15

(Sources: adapted from © Independent Digital News and Media Ltd and © Guardian News and Media Limited 2014)

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Extract G

£75m investment at Cadbury

Mondelēz International and the Unite trade union are celebrating successful negotiations over a £75m modernisation to Cadbury's Birmingham factory. Over 200 people agreed to leave by voluntary redundancy by the end of 2016, with some redundancy packages worth in excess of £100 000. It should boost the Cadbury factory's efficiency when four 'state-of-the-art' production lines replace six outdated ones.

5

The 650 remaining staff will develop extra skills with appropriate training provided, for which there will be a 2% pay increase. The investment should enable Cadbury to meet the growing consumer demand for Dairy Milk, Marvellous Creations and Oreo bars.

The table below shows the forecast returns for the first 5 years following the modernisation project.

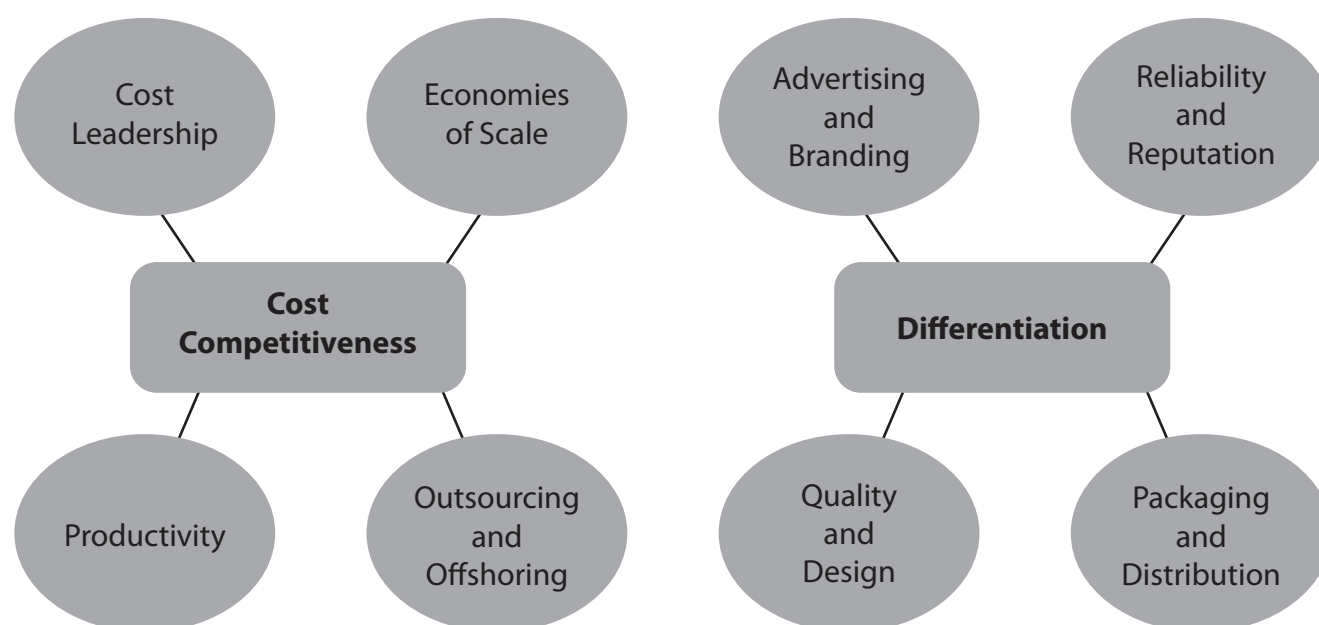
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Year	Net cash flow (£m)	Discount factors at 10% discount rate
0	(75)	1.0
1	20	0.909
2	25	0.826
3	30	0.751
4	22	0.683
5	20	0.621

(Sources: adapted from © Guardian News and Media Limited 2014 and © 2017 Trinity Mirror Midlands)

Extract H

Competitive advantage



(Source: adapted from http://www.economicsonline.co.uk/Global_economics/Competitiveness.html)

2 (a) Assess **two** benefits of quality control for a business, such as Cadbury.

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(b) Assess the likely value of Corporate Social Responsibility to a business, such as Cadbury.

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(c) Using the data in Extract G, the Net Present Value (NPV) and Payback, assess Mondelēz International's investment in Cadbury's modernisation.

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Cost competitiveness and product differentiation are two key strategies to achieve global competitive advantage.

- (d) Evaluate these two strategies and recommend which **one** would be better to achieve a global competitive advantage for a business, such as Cadbury.

(20)

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(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS

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