

Pearson BTEC Level 3 Nationals Diploma/Extended Diploma

Business / Enterprise and Entrepreneurship

Unit 7: Business Decision Making /
Unit 6: Business Decision Making

Part S

Additional Sample Assessment Material

Paper Reference

31589H

You must have:
Calculator

Instructions

- This task booklet contains material for the completion of the set task under supervised conditions.
- This task booklet is specific to each series and this material must only be issued to learners who have been entered to undertake the task in the relevant series.
- This task booklet should be kept securely until the start of the 3-hour supervised assessment period.
- This task booklet must be issued to learners during the two-day period and under conditions specified by Pearson. This will allow centres to timetable appropriate supervised sessions for all learners.

Information

- The total mark for this paper is 70.

Turn over ►

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Instructions to Teachers/Tutors and/or Invigilator

This paper must be read in conjunction with the unit information in the specification and the BTEC Nationals Instructions for Conducting External Assessments (ICEA) document. See the Pearson website for details.

The set task is undertaken under supervision in a **single session** of three hours on one of the two timetabled days.

Centres should schedule all learners in the same sessions if possible and must release the assessment to individual learners only for their scheduled sessions.

Work should be completed on a computer. A period of two days is provided for centres to timetable the assessment to give learners access to computer resources.

Centres may schedule supervised rest breaks during the session.

All learner work must be completed independently and authenticated by the teacher/tutor and/or invigilator before being submitted to Pearson.

Refer carefully to the instructions in this task booklet and the Instructions for Conducting External Assessments (ICEA) to ensure that the supervised assessment is conducted correctly and that learners submit evidence that is their own work.

Learners must not bring anything into the supervised environment or take anything out without teacher/tutor and/or invigilator knowledge and approval. A calculator is allowed.

Centres are responsible for putting in place appropriate checks to ensure that only permitted material is introduced into the supervised environment.

Maintaining security

- During the supervised assessment period the assessment areas must be accessible only to individual learners and to named members of staff.
- Learners can access their work only under supervision.
- Learner work should be backed up regularly.
- Any work learners produce under supervision must be kept securely.
- During any break materials must be kept securely.

Outcomes for submission

Each learner will need to complete:

- a report
- a presentation with speaker notes/script
- an authentication sheet.

Instructions for Learners

Read the set task information carefully.

It contains all the information you need to complete both activities.

This is a **single session** of three hours. Plan your time carefully. Your teacher/tutor and/or invigilator will tell you if there are any supervised breaks.

You will complete the activities within the set task under supervision and your work will be kept securely during any breaks taken.

You may use a calculator and will have access to a computer.

You must work independently throughout the supervised assessment period and must not share your work with other learners.

Your teacher/tutor and/or invigilator can clarify the wording that appears in this set task but must not provide any other guidance to help you complete the task.

Outcomes for submission

You will need to complete **three** documents:

- a report
- a presentation with speaker notes/script
- an authentication sheet.

Set Task Brief

A local bathroom fittings business, *Spick and Span Bathrooms*, has approached the consultancy firm that you work for. The owners want help establishing the future direction of their business.

The owners of *Spick and Span Bathrooms* have provided you with some information about the bathroom fittings sector and their business. They have also given you some information about the two different options that they are currently considering for the future direction of the business.

You are required to read the scenario and documents provided and then produce a report for *Spick and Span Bathrooms* which assesses the different options for the future direction of the business and provides justified decisions about which option the owners should invest in.

You are also required to produce a presentation that summarises the decisions made in the report as well the justification for your decisions.

On the following pages you will find information relating to the bathroom fittings sector.

You need to consider the following information carefully:

- market information and trends
- the current business
- competition
- financial information
- planning for the future.

Set Task

You must complete ALL activities within the set task.

You will produce two documents:

- a report
- a presentation accompanied by speaker notes/script.

Activity 1

Using the information provided prepare a report to the owners of *Spick and Span Bathrooms* that presents a balanced assessment of the options available for the future direction of their business and makes decisions about which option you believe to be most appropriate.

The report should consider:

- implications for resources
- financial forecasting
- key factors and risks
- alternative approaches.

Your report should be word processed in size 12-point font and presented in a structure that is appropriate for the owners of the business.

(Total for Activity 1 = 52 marks)

Activity 2

Using appropriate software, prepare a presentation to the owners of *Spick and Span Bathrooms*.

The presentation should:

- summarise, from your report, the decisions for the future direction of the business
- be accompanied by speaker notes or a script.

(Total for Activity 2 = 18 marks)

TOTAL FOR PAPER = 70 MARKS

Set Task Information

Market information and trends

The UK bathroom retail market consists of baths, showers, sinks, toilets, taps, accessories and bathroom furniture. In 2013, this retail market was worth approximately £875 million and forecasters predict it would continue to grow by 4% each year.

Potential drivers of growth in the sector include:

- improvements in the UK economy
- increased building of new homes with two or more bathrooms
- upgrading of existing homes by refurbishing bathrooms and/or adding new ones
- an increased trend in coordinated bathroom designs including 'wet rooms'
- availability of more sustainable, water-efficient and environmentally-friendly products, such as rainwater recycling and smart digital controls.

Minimalist styles offering clutter-free spaces continue to be popular, as are the traditional Victorian designs. Designers of bathrooms and fittings differentiate their products and services by offering distinctive and individually tailored designs.

The current business

Spick and Span Bathrooms is a family-run bathroom design business with a small showroom. It uses a number of independent installers to fit the bathrooms it sells. Its only employee is a part-time showroom assistant. *Spick and Span Bathrooms* experienced a steady revenue growth until 2008 when demand fell due to the financial crisis. Sales have since recovered but profit margins have not.

Spick and Span Bathrooms' showroom has a range of displays from a number of specialist suppliers. The only stock held is that which is on display in the showroom. Once the customer design is finalised, the materials are purchased and can take up to 45 days to arrive. This means the time from order to completion of installation can be up to four months, and this can cause cash flow issues.

Spick and Span Bathrooms' service and the quality products it offers are not cheap and therefore this limits demand. To maximise revenues, the business has recently started to sell bathroom fittings directly to customers who do not require a full design service. In addition, the business website now offers functionality for domestic and international customers to submit design requests.

To minimise costs, *Spick and Span Bathrooms* does little marketing, relying on the showroom and word of mouth recommendations from past customers. Positive reviews are also posted on its website.

Competition

There are many competitors from large DIY stores and specialist outlets such as *B&Q*, *Wickes*, *Bath Store* and *Victoria Plumb*, through to small businesses similar to *Spick and Span Bathrooms*. There are 12 bathroom supply and fitting businesses within a five-km radius of *Spick and Span Bathrooms*. This means there is extensive price competition in the market. The existence of large and powerful competitors, and the many smaller businesses, has led to pressure on *Spick and Span Bathrooms'* revenues and a reduction in profit margins.

The average price for a complete *Spick and Span Bathrooms* bathroom is £5,500 but this does not include fitting costs. A budget bathroom from a large DIY store would cost less than £750 plus fitting.

Financial information

The table below shows an extract of financial information for the existing bathroom business for 2015 and 2016.

Extract of financial information for <i>Spick and Span Bathrooms</i>		
	2016 (£)	2015 (£)
Revenue	110,000	143,000
Cost of sales	44,550	64,350
Gross profit	65,450	78,650
Rent	18,000	17,000
Sales staffing cost	7,000	6,000
Other costs	12,000	10,000
Net profit	28,450	45,650

Note: This statement does not include the cost of installing the bathroom. *Spick and Span Bathrooms* arranges for this work to be carried out, but the customer pays the installer directly.

Planning for the future

The owners of *Spick and Span Bathrooms* are worried about the future survival of the business. After completing some market research in January 2017 they identified two potential options.

Option	Action	Advantage	Disadvantage
1	Close the showroom	<ul style="list-style-type: none">• save £2,000 a month rent/other costs• save cost of display materials (£10,000 each year)• save £7,000 in sales staff costs	<ul style="list-style-type: none">• estimated £11,000 – £15,000 reduction in sales revenue as customers cannot see products on display before purchase• as a result of not having showroom displays, will need to spend additional £3,000 on marketing
2	Relocate to larger premises in an area where customers have a larger disposable income	<ul style="list-style-type: none">• forecast increase sales revenue by 40% each year• increase space to allow either a larger display area or area to hold stock for resale• potential reduction in competitors	<ul style="list-style-type: none">• additional sales staff costs of £12,000 each year for full-time showroom assistant• additional £8,000 each year for rent