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.
- 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 90.
- The marks for each question are shown in brackets – use this as a guide as to how much time to spend on each question.
- Questions labelled with an asterisk (*) are ones where the quality of your written communication will be assessed – you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.
- A calculator may be used.

Advice

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

Turn over
SECTION A

Answer ALL questions. You should spend 40 minutes on this section.

Some questions must be answered with a cross in a box ✗. If you change your mind about an answer, put a line through the box ✗ and then mark your new answer with a cross ✗.

1. (a) Improving the design mix is **most likely** to lead to:

Select one answer.

- [ ] A  improved stock control
- [ ] B  product differentiation
- [ ] C  increased worker motivation
- [ ] D  excessive communication

(b) Identify one method of collecting market research.

(c) Explain one benefit to a business of collecting market research data.

(1)
(d) Explain one advantage of branding for a business.

(Total for Question 1 = 8 marks)
Ryanair is a budget airline which flies to destinations across Europe. In 2011 it reported a 23% increase in profits to £325m and announced that it was planning to expand by flying to more destinations.

(a) Which **one** of the following is the **most likely** reason for the increase in Ryanair’s profits?

Select one answer.

- □ A Fewer passengers
- □ B Higher fuel costs
- □ C Increasing ticket sales
- □ D Falling productivity

(b) State **two** external sources of finance that Ryanair could use to fund its expansion plans.

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(c) Explain one impact that Ryanair’s expansion plans might have on the environment.
plane stupid

*bringing the aviation industry back down to earth*

(©Plane Stupid 2012)

*plane stupid* is a pressure group which campaigns against airport and airline expansion.

(d) Describe the possible effects that a pressure group such as *plane stupid* could have on *Ryanair*.

(Total for Question 2 = 10 marks)
ShakeAway is the world’s largest milkshake bar company. With over 170 different flavours and millions of combinations, ShakeAway is well-known for blending confectionery brands such as Mars, Twix and many more into delicious milkshakes. The latest invention from ShakeAway is the Millionaire’s Milkshake. This is made from Green and Black’s chocolate, roasted hazelnuts and topped with whipped cream and real 23ct edible gold. It is priced at £11.95.

(a) Which one of the following is most likely to lead to the repeat purchase of a ShakeAway milkshake?

Select one answer.

☐ A Higher prices
☐ B Unfriendly staff
☐ C Market research
☐ D Loyalty cards

(b) Explain one method ShakeAway could use to encourage potential customers to give the Millionaire’s Milkshake a product trial.
ShakeAway states that it only employs energetic and fun people in its stores. Each employee is called a Shakette.

(c) Describe how ShakeAway could motivate its Shakettes.

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Productivity is very important at ShakeAway. Each Shakette tries to produce a milkshake within five minutes of receiving a customer’s order.

(d) Explain one reason why improving productivity would be important to ShakeAway.

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(Total for Question 3 = 10 marks)
The Lego Group produce sets of plastic building bricks for children. Many Lego sets are themed around popular movies such as Star Wars and Harry Potter. Sales of Harry Potter sets have fallen since the final movie was released in 2011. In recent years, competition in the building brick market has increased with companies such as MEGA Bloks and COBI producing similar products.

(a) At which stage of the product life cycle were Harry Potter themed Lego sets most likely to have been by the end of 2012?

Select one answer.

- A  Introduction
- B  Growth
- C  Maturity
- D  Decline

(b) Outline one impact that stricter EU regulations on toy safety could have on The Lego Group.
The Lego Group view the quality of its product as central to its success as a business.

(c) Explain one benefit to The Lego Group of selling a quality product.
There is increasing competition in the building brick market. The Lego Group want to remain competitive against other companies such as COBI and MEGA Bloks. To do this it is considering two options.

**Option 1:** Link more of its sets to newly released movies.

**Option 2:** Increase its advertising.

(d) Which of these two options do you think would be *more* effective in helping The Lego Group to remain competitive and why?

(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS
SECTION B

Answer ALL questions. You should spend 30 minutes on this section.

Read the following passage carefully and then answer questions 5 and 6.

Dell is one of the world’s largest manufacturers of computers. The company has grown rapidly since it opened in 1984 by selling computers that are built to order.

The majority of Dell’s customers place their orders through the company’s website. This allows customers to personalise their computers and specify which type of components are used, from the size of the hard drive to the type of pre-loaded software.

When it receives an order, Dell builds a customer’s computer using materials that are delivered Just In Time (JIT) by its suppliers. In the computer industry, components can quickly become out of date due to the speed at which technology is improving. Therefore, JIT is an important way of allowing Dell to produce more up-to-date computers compared to rivals such as Hewlett Packard.

Many of the components Dell uses to manufacture its computers are made in countries such as Thailand. The Thai government gives some of its component manufacturers an export subsidy to increase their level of competitiveness.

5  (a) What is meant by the term **Just In Time (JIT)**?

(b) Explain **one** benefit to **Dell** from selling computers direct to its customers through its website.

(c) Explain **one** disadvantage of poor customer service to **Dell**.

After moving its technical support and customer services department to India, complaints about **Dell**’s customer service increased.
In 2011 severe flooding in Thailand damaged the factories of a large number of hard drive suppliers. This caused shortages and Dell was forced to cancel orders. As a result, Dell now holds some buffer stocks of important components.

(d) State one advantage and one disadvantage to Dell of holding higher levels of buffer stock. For each explain the likely impact on the business.

\( \text{(8)} \)

**Advantage**

**Impact on Dell**

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**Disadvantage**

**Impact on Dell**

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(Total for Question 5 = 16 marks)
6  (a) What is meant by the term **export subsidy**?  

The Thai government also uses import protection to limit the amount of foreign made computers, such as *Apple* Macs, which are imported into Thailand.

(b) Describe the effects of import protection on computer manufacturers based in Thailand.
In 2011 *Dell* increased the price of its range of laptop and notebook computers.

*(c)* Assess the impacts of this price increase on *Dell’s* ability to improve its profits.

(Total for Question 6 = 14 marks)

TOTAL FOR SECTION B = 30 MARKS
SECTION C

Answer ALL questions. You should spend 20 minutes on this section.

Read the following passage carefully and then answer questions 7 to 10.

*Kodak* is a company which many people associate with cameras and photography. However, in 2012 the company announced that it was going to stop making cameras and concentrate on manufacturing inkjet printers instead.

*Kodak’s* problems started when it was slow to recognise the importance of digital technology, and failed to invest in the development of digital cameras. This allowed companies such as *Sony* and *Samsung* to break into the camera market. This problem was made worse when mobile phone producers such as *HTC* and *Apple* started to build increasingly sophisticated cameras into their devices.

As revenues fell, *Kodak* started to make large losses. This resulted in serious cash flow problems which threatened the survival of the company. To improve cash flow *Kodak* decided to put a number of its assets up for sale.

(Source: adapted from http://www.guardian.co.uk)

7 What is meant by the term *revenue*?

(Total for Question 7 = 2 marks)
8 Outline one method *Kodak* could use to reduce the size of its losses.

(Total for Question 8 = 2 marks)

9 Discuss the extent to which the sale of *Kodak’s* assets would be the most suitable method of improving its cash flow.

(Total for Question 9 = 6 marks)
*10 Using your knowledge of business, assess the extent to which improving cash flow will be important for Kodak.