

Write your name here

Surname

Other names

**Pearson**  
**Edexcel GCSE**

Centre Number

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Candidate Number

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# Business Studies

## Unit 3: Building a Business

Friday 5 June 2015 – Morning  
**Time: 1 hour 30 minutes**

Paper Reference

**5BS03/01**

**You do not need any other materials.**

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.
- 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.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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**PEARSON**

SECTION A

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

Some questions must be answered with a cross . 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) The product life cycle in Figure 1 shows sales of a product over time. What is Phase 2 called? (1)

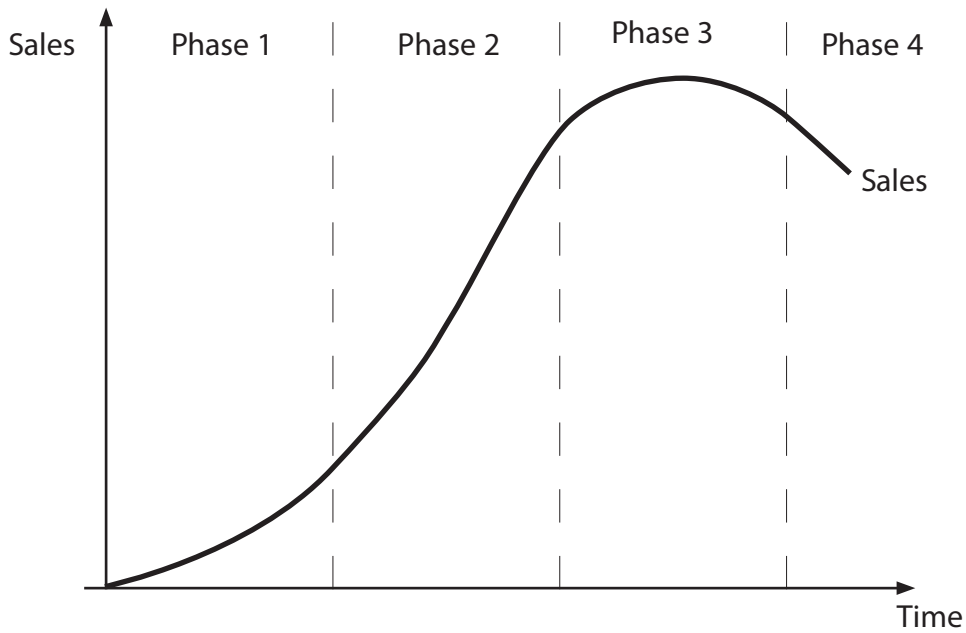


Figure 1

Select **one** answer.

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

- (b) Outline **one** way a business might extend the life cycle of a product. (2)

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(c) (i) State **two** methods of collecting market research information.

(2)

1 .....

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2 .....

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(ii) Explain **one** reason why a business might collect market research information.

(3)

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**(Total for Question 1 = 8 marks)**





InterContinental Hotels Group

In 2012 the *InterContinental Hotels Group (IHG)* became the first chain of hotels to pay its London workers a minimum of £8.30 per hour. At the time this was £1.99 above the minimum wage. *IHG* estimated that this would increase the pay of 97% of its workers. *IHG* hoped that by paying its workers more than the legal minimum wage both motivation and productivity would improve. It was hoped that other hotel groups such as *Hilton* and *Travelodge* would follow *IHG's* lead.

(Source: adapted from <http://www.corporateregister.com/news/item/?n=136> accessed on 28/11/12)

(a) Which of the following **best** describes the term **productivity**?

Select **one** answer.

It is the:

(1)

- A** number of products made that pass quality control.
- B** range of products made by a business.
- C** amount of products one worker can make in an hour.
- D** total output of a business.

(b) State **three** methods, other than increasing wages, that *IHG* could use to motivate its workers.

(3)

1 .....

2 .....

3 .....



(c) Explain **one** benefit to *IHG* of increased worker motivation.

(3)

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The London hotel market is very competitive. *IHG* offers a loyalty card to its customers that rewards them with points for each stay. These points can then be exchanged for a free night in any *IHG* hotel.

(d) Explain **one** advantage to *IHG* of high levels of customer loyalty.

(3)

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**(Total for Question 2 = 10 marks)**







4



*Starbucks* is an American coffee shop chain with over 600 outlets in the UK. Each coffee shop sells a range of drinks such as Mochas and Frappuccinos. In the UK, *Starbucks* competes against rivals such as *Costa Coffee* and *Caffé Nero*, as well as many small independent cafes and coffee shops.

(Source: adapted from <http://starbucks.co.uk> accessed on 16/12/12)

4 (a) Which of the following is **most likely** to result in an immediate improvement in *Starbucks'* cash flow?

Select **one** answer.

(1)

- A Increased productivity
- B Smaller margin of safety
- C Paying suppliers later
- D Repaying a bank loan

(b) Outline **one** method *Starbucks* could use to differentiate its coffee from that of its rivals.

(2)

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In 2012 *Starbucks* was accused by the pressure group *UK Uncut* of finding legal ways of paying less tax to the UK government. *UK Uncut* argued that *Starbucks* was not behaving in an ethical way.

(c) Explain **one** possible disadvantage to *Starbucks* of not behaving in an ethical way. (3)

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## 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.



*Elvis & Kresse* produces wallets made from waste fire hoses, which would normally be thrown away by fire brigades at the end of their working life. The design mix is important to *Elvis & Kresse* and each wallet produced is put through a strict quality control process. In recent years the brand has become very popular as consumers become more concerned about environmental issues.

Each wallet is made almost entirely from waste fire hoses and *Elvis & Kresse* uses renewable energy in its production process. However, *Elvis & Kresse* is based in Central London and this can cause deliveries of raw materials to be slow. *Elvis & Kresse* also exports its wallets by plane to countries such as Japan and the USA.

In the last few years, the *Elvis & Kresse* brand has become very popular, selling to celebrities such as Cameron Diaz. As a result, the company has expanded its product mix to include belts and cufflinks – all made out of recycled waste. Each item is sold at a premium price, with wallets retailing for as much as £75.

(Source: adapted from <http://www.elvisandkresse.com/index.html> accessed on 16/12/12)





(d) State **one** possible advantage and **one** possible disadvantage to the environment from *Elvis & Kresse's* business activities. For each, explain the likely effect on the environment.

(8)

Advantage

Explanation

Disadvantage

Explanation

(Total for Question 5 = 15 marks)



6 (a) What is meant by the term **design mix**?

(2)

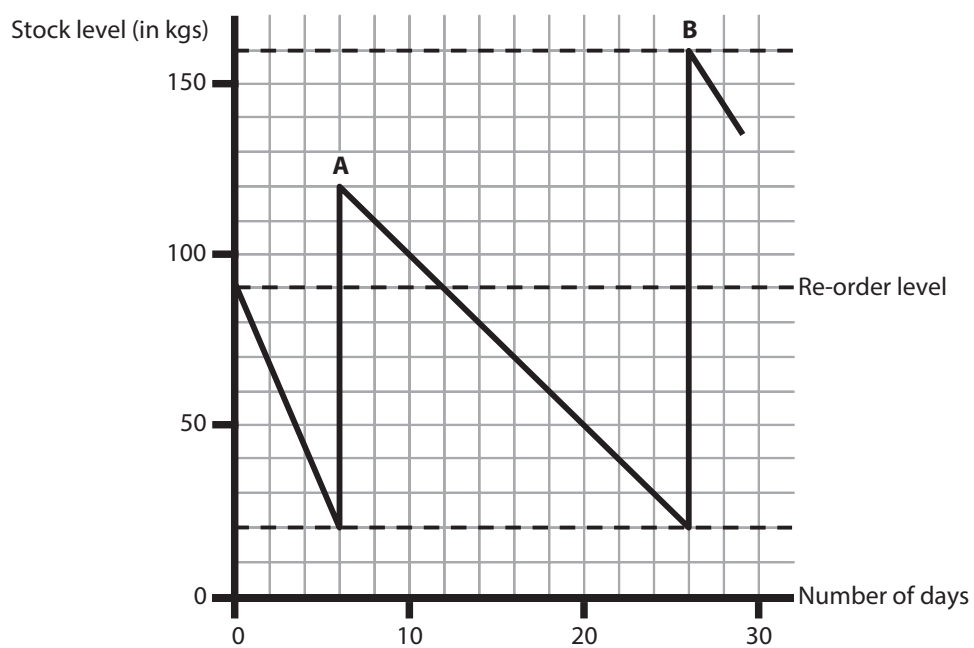
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The diagram below shows the bar gate stock graph for deliveries of waste fire hoses to *Elvis & Kresse* during December 2012. In December, *Elvis & Kresse* received two deliveries of waste fire hoses. These are labelled on the bar gate stock graph as A and B.



(b) (i) Identify the level (in kgs) of the buffer stock held by *Elvis & Kresse* during December 2012.

(1)

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(ii) Calculate the weight (in kgs) of delivery A. Show your workings.

(2)

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## 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.



*Beats by Dr Dre* is a leading headphone brand owned by *Beats Electronics*. The company was set up in 2006 by hip-hop artist Andre 'Dr Dre' Young. The company has expanded rapidly by issuing new share capital. This has allowed mobile phone manufacturer *HTC* to build up a 51% stake in *Beats Electronics*. Raising share capital has allowed *Beats Electronics* to build a global headphone brand quickly through the use of promotional activities such as paying Justin Bieber to become a company ambassador. This has allowed it to compete successfully against existing headphone brands such as *Panasonic* and *Sony*.

*Beats by Dr Dre* headphones are marketed to young people who want better quality headphones than the ones that are packaged together with MP3 players such as the iPod. *Beats Electronics* uses the slogan 'people aren't hearing all the music' to highlight that its headphones allow listeners to hear music in exactly the same way that artists do when they record a track in a studio. By producing a quality product, *Beats Electronics* can sell its headphones for as much as £350.

(Source: <http://www.marketingweek.co.uk/news/beats-by-dr-dre-eyes-uk-for-growth/4004694>.article accessed on 28/12/12)





7 What is meant by the term **brand**?

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**(Total for Question 7 = 2 marks)**

8 Outline **one** benefit to *Beats Electronics* of building 'a global headphone brand'.

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**(Total for Question 8 = 2 marks)**







(Total for Question 10 = 10 marks)

**TOTAL FOR SECTION C = 20 MARKS**

**TOTAL FOR PAPER = 90 MARKS**

