



GCE A LEVEL

A510U30-1



WEDNESDAY, 14 JUNE 2023 – MORNING

BUSINESS – A level component 3
Business in a Changing World

2 hours 15 minutes

A510U301
01

ADDITIONAL MATERIALS

A WJEC pink 16-page answer booklet

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen. Do not use gel pen or correction fluid.

Answer **all** questions in Section A.

Answer **one** question from Section B.

You are advised to spend no more than:

- 80 minutes on Section A
- 55 minutes on Section B

Write your answers in the separate answer booklet provided, following the instructions on the front of the answer booklet.

Use both sides of the paper. Write only within the white areas of the booklet.

Write the question number in the two boxes in the left-hand margin at the start of each answer,

for example

1	1
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Leave at least two line spaces between each answer.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the need for good English and orderly, clear presentation in your answers.

Store design and location

IKEA's stores are designed to make customers follow "the long natural way" which encourages them to travel through the entire store rather than having a traditional store layout where they go straight to their section of interest. Stores are usually set over one or two floors and often contain a section in which damaged or returned items are sold as seen.

Stores also have family-friendly features such as a restaurant and a staffed play area where parents can drop off their children and pick them up after they complete their shopping.

Stores are often located outside of the town centre due to cheaper land and access to uncongested road networks. IKEA has tried to open smaller multi-level stores in the busy cities of Manchester and Coventry but these trial stores were later closed as they did not meet IKEA's expectations.



Some location choices have been controversial with complaints that historic buildings in America were demolished to make IKEA car parks and tombs in China were destroyed during store construction. In Ireland, the laws regarding limits on building size were changed to allow the retailer's large store format.

A flat pack world

IKEA is famous for its flat pack products. Rather than selling pre-assembled furniture, IKEA sells furniture in kit form to be built by the customer in their own home. The aim is to reduce costs and offer customers a product at a lower price. IKEA claims that the flat pack products are also easier for customers to take home therefore reducing the need for home delivery costs. By using the same types of material in its products, IKEA benefits from economies of scale and can keep production costs low. IKEA's products are designed in Sweden but production takes place in other countries in order to minimise costs.

IKEA's latest technical product innovations can be found in its Smart Home range launched in 2019. The Smart Home range features wireless charging points built into furniture and a range of products such as smart speakers, automated lights and motor operated blinds that may be activated by an app, voice control or remote control. However, things have not always fitted into place for IKEA. An early attempt to move into technology with the IKEA Family Mobile, a pay-as-you-go mobile phone network, was discontinued a few years after it was launched. The network never became popular despite being the cheapest in the UK at the time of launch.

Additionally, not all IKEA furniture has been well received. The Malm chest of drawers and wardrobe have caused some controversy. Despite IKEA telling customers to secure the items firmly to the wall using free kits distributed by the company, there have been a number of incidents with these products falling on children and causing injury or death. Although IKEA did not initially remove the products from sale, both public pressure and legal interventions eventually led to a product recall in numerous countries. Another issue occurred when traces of horsemeat were found in its Swedish meatballs product. The company removed the Swedish meatballs from store shelves but only publicly confirmed this action after a Swedish newspaper revealed the product recall.

New horizons

IKEA is supporting the reusing of old, unwanted furniture through its 'buy back' scheme. IKEA will offer store credit for some of its classic items of furniture, depending on condition, using the following pricing system:

- as new items, with no scratches, will get 50% of the original price
- very good items, with minor scratches, will get 40% of the original price
- well-used items, with several scratches, will get 30% of the original price.

Customers selling back items will return them fully assembled when a final value is agreed. IKEA says that any items that cannot be resold will be recycled which is part of its plan to become "a climate positive business by 2030". Actions toward this goal include dramatically reducing greenhouse gas emissions and striving towards 100% renewable energy. IKEA even has its own wind farms.

As part of its ethical commitment IKEA:

- has signed a pledge to ensure that workers are not exploited in the production of raw materials sourced in developing economies
- has stated that if suppliers do not meet the standards set by IKEA, it will activate an action plan to correct any issues
- provides skills development and work experience placements to tackle unemployment especially for people experiencing poverty and inequalities
- works with social entrepreneurs and actively engages with local communities.

Flat out promotion

One of IKEA's original marketing tools was its annual printed catalogue of products. At its peak 197 million copies a year were being printed in 20 languages. IKEA has expanded customers' access to its product range through the use of e-commerce and m-commerce via the development of its website and app. One feature of the website is a 3D kitchen planner enabling users to design their IKEA kitchen at home and print or download the plans.

Another marketing tool is the loyalty card known as IKEA Family. This free card can be used to obtain discounts on selected items as well as free tea and coffee on weekdays. IKEA use the loyalty card in order to gather information about its customers behaviour.

IKEA is working with Snabble, the market-leading self-checkout app, to provide Scan and Go technology to its stores. The aim is to reduce customer checkout times and produce a better quality shopping experience.

IKEA has developed a Better Living app. Customers can learn about products that will help them act in a sustainable manner and interact with the app by logging environmentally friendly activities such as refilling water bottles, recycling items or reusing a reusable bag. Users gain points for their actions and can compare their points against other users. IKEA offers cashback as prizes for the best performing users.

IKEA's websites have caused some problems in terms of price comparison. For example, IKEA's Canadian and American websites have shown the same items at very different prices. In South Korea, complaints arose from a group of consumers claiming the prices of certain products were higher than in other countries.

As the business looks forward to claiming its place in new international markets, it continues to seek out new ways of attracting customers to the IKEA brand.

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| 1 | 1 | Explain the challenges to IKEA of moving into new international markets. | [8] |
| | | | |
| 1 | 2 | Assess the importance of technology to IKEA's marketing strategy. | [10] |
| | | | |
| 1 | 3 | Consider the importance of the right store location to IKEA's success. | [10] |
| | | | |
| 1 | 4 | "Franchising offers only benefits and no problems to franchisors and franchisees." Evaluate this statement. | [10] |
| | | | |
| 1 | 5 | Evaluate the impact of IKEA's ethical and environmental practices on its stakeholders. | [12] |

SECTION B

Answer **one** question from this section.

Answer **either** question 2 (2 1 and 2 2), 3 (3 1 and 3 2) **or** 4 (4 1 and 4 2).

2. Changing environments

2	1	Explain how social changes may affect the product portfolio of a business producing breakfast cereals.	[10]
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2	2	To what extent is the growth of a business likely to have a positive impact on all its employees?	[20]
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3. Global business

3	1	Explain the possible impacts upon a global smart phone manufacturer of poor public relations and product failure.	[10]
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3	2	Evaluate the strategies that businesses use to achieve global growth.	[20]
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4. Decision making

4	1	Explain how the concept of elasticity may be useful to an independent clothing retailer.	[10]
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4	2	“Using the product life cycle to make decisions will always be beneficial to a business and its stakeholders.” Discuss.	[20]
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