



GCSE

C510U20-1A



MONDAY, 12 JUNE 2023 – AFTERNOON

BUSINESS – Component 2
Business Considerations

Resource Material

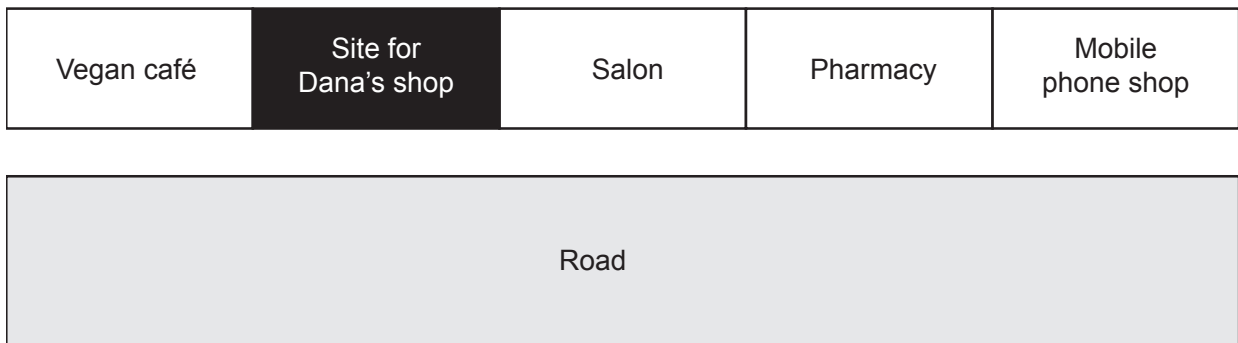
1. Dana Smith has recently been made redundant from her job as a librarian. Dana has decided to use the money she received from her redundancy to pursue her dream of opening her own business. Dana has been a vegan for many years and she has often found it difficult to find vegan food in her local town. The local supermarket in her area has started to sell a limited range of vegan products. Dana has had to travel to a vegan shop in the city which is 25 miles away from where she lives in order to get the full range of dairy-free and meat-free products that she wants and she often found these products expensive.



Dana is at the planning stage of opening her business. Her idea is to open the first vegan-only grocery shop in her town, specialising in products you cannot buy in a supermarket. She will open the business on her own and be a sole trader. This is Dana's first business venture, until now she has always worked for someone else.

Dana has found a suitable site for the shop that is available to rent. The property is located on a busy high street near a popular vegan café. The cost of rent for the property is higher than the average rental price for similar properties in her town. Dana is worried that the property will be rented quickly due to demand for properties in this area, so she would like to move quickly with her plans.

Below is a diagram of a small section of the busy high street where Dana hopes to locate her shop.



When Dana first became a vegan, many years ago, there weren't many people like her who chose to eat dairy-free and meat-free products. Dana knows veganism has become more popular over recent years. After carrying out some secondary market research Dana found out the following facts:

- the population of the UK in 2019 was 66.7 million
- the number of vegans in the UK grew significantly between 2014 and 2019 – in 2019 there were 600 000 vegans, compared to 150 000 in 2014
- it is expected that the number of vegans will increase at a faster rate over the next decade
- the UK meat-free market was worth £443 million in 2018
- 92% of meat-free meals consumed in the UK in 2018 were eaten by non-vegans

The town where Dana is hoping to open her business has a population of 10 000. Dana has also conducted primary market research based on a sample of 100 people. She carried out the research on the street where she is hoping to open her vegan grocery shop next to the vegan café. The findings of the questionnaire were as follows:

– 69% of respondents said they thought it was a good idea to open a vegan grocery shop
– 54% of respondents said they would shop at the vegan grocery shop on a regular basis
– 33% of people who completed the questionnaire said they were vegan
– 78% of people said price was important to them when shopping for food

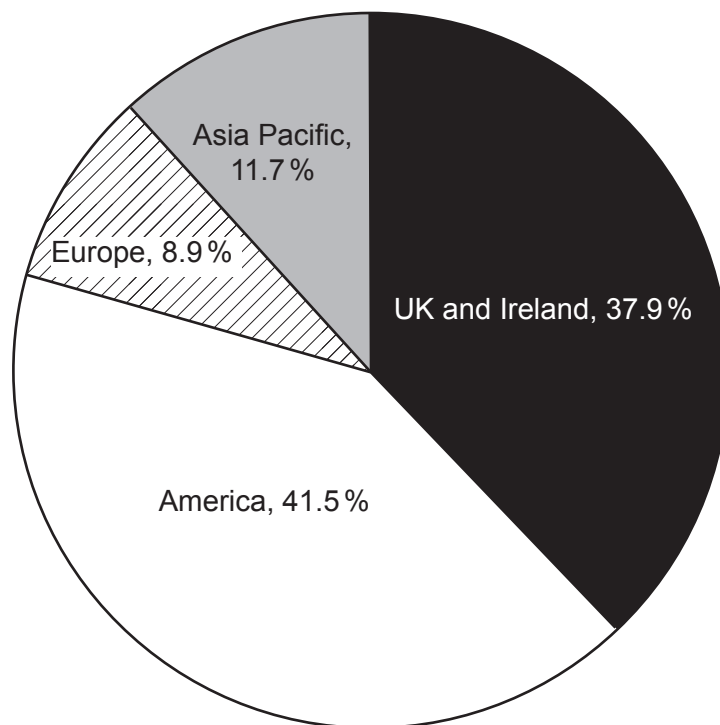
Dana is now in the process of writing a business plan and considering suitable sources of finance to help her start the business. Dana has some money from her redundancy to pay the first six months of the rent but she does not have enough to fully furnish and stock her shop; she will need to get finance from elsewhere to get her business up and running. In addition, some other businesses have opened in her town with the support of a government grant.

2. C&J Clark International Ltd, more commonly known as Clarks, manufactures and retails high-quality shoes. Clarks was established in the UK in 1825 by brothers Cyrus and James Clark. Today, there are over 300 Clarks' shoe shops in the UK and 1 300 around the world, in 75 different countries. Clarks is a private limited company; 85% of the business is still owned by the Clark family. Clarks still manufactures its own shoes and is known as a high-quality brand.

Clarks' shoes are very popular across the world. Its international customers are attracted by the high quality of the British-made shoes.



In 2018, Clarks' sales revenue was £1.54 billion. The following chart shows the percentage of its sales revenue per global geographical area in 2018.



Clarks started selling franchises in 1985 in order to grow its business. Today, there are over 450 franchises across the world, 100 of which are in the UK and Ireland. For an investment of £150 000 franchisees will benefit from a tailor-made programme. The programme includes guidance and support to set up the shop and help with store fitting and staff training.

Clarks originally manufactured all its shoes in its factories in the UK. In 1989 Clarks started moving production overseas to the Asia Pacific region in countries such as China, South Korea and Taiwan, where it could benefit from cheaper production costs. Clarks also started sourcing materials from abroad to manufacture its shoes. By 2006 Clarks moved all of its remaining production to the Asia Pacific region. However, this impacted on its international sales because customers preferred their shoes to be manufactured in the UK. As a result, in 2017 Clarks decided to move part of its production back to the UK.

Clarks opened a new manufacturing unit within its UK headquarters using new technology such as industrial robots, computer aided design (CAD) and computer aided manufacturing (CAM). The new manufacturing unit only needed to employ 80 technical and managerial staff. The target of the manufacturing unit was to produce 300 000 pairs of shoes per year. By 2019, after just two years of production, Clarks decided to close this manufacturing unit because it was not meeting its production levels and cost targets.

Clarks also makes use of technology in its sales function, including:

- an e-commerce website and an m-commerce app
- retail staff using iPads to measure customers' shoe size
- self-service checkouts in its retail shops

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