



GCE A LEVEL

1510U40-1



S25-1510U40-1

MONDAY, 9 JUNE 2025 – AFTERNOON

BUSINESS – A2 unit 4
Business in a Changing World

2 hours 15 minutes

1510U401
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ADDITIONAL MATERIALS

In addition to this examination paper, you will need:
A WJEC pink 16-page answer booklet.
A calculator.

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

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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.

SECTION A

Answer **all** the questions in this section.

1. Read the case study below and answer the questions that follow.

History

The first Sainsbury's retail store was opened in London in 1869. The grocery store proved popular due to its high quality products at affordable prices. By 2023 Sainsbury's had grown to have over 600 supermarkets and 800 convenience stores in the UK. Throughout this period, Sainsbury's was continually innovating to introduce new products and services including: own brand food and clothing, Fairtrade products, organic products and meat-free and dairy-free products to cater for vegan customers. In addition, Sainsbury's has used external growth to takeover Argos and add its wide product range and digital expertise to Sainsbury's existing product portfolio.

10 The grocery market

The grocery market in which Sainsbury's operates is highly competitive with a few large businesses dominating the market. However, there are a number of other businesses competing with the main four supermarkets. As of October 2023, Tesco had 27.4% market share, Sainsbury's had 14.8%, Asda had 13.7% and Morrisons had 8.6%.

- 15 In recent years, these big four supermarkets have not been opening many new stores but discount and bargain retailers continue to open significant numbers of new stores and gain market share. The rise of the discounters started in 2008, when the UK was in a recession. Since then, supermarkets such as Aldi and Lidl have experienced huge growth in the grocery market. As of October 2023, Aldi had 9.9% and Lidl had 7.6% market share. Aldi became the 4th largest supermarket overtaking Morrisons, with Lidl becoming the 6th largest overtaking the Co-op.

- 25 Technology is changing the way consumers interact with businesses, including the way they shop. Delivery services have improved in terms of speed and reliability, while Click & Collect is convenient for customers and accounts for a significant proportion of online sales. Technology is impacting the way customers shop in-store too, with the rise of self-scan technology speeding up the checkout process.

Economic and political change

- 30 Up until a few years ago, average weekly earnings had continued to be above the rate of inflation. In July 2020 inflation was 1.1% and fell to 0.5% in August 2020. However, since 2021 inflation has steadily increased, reaching a peak of 11% in October 2022. During 2023 inflation slowly decreased and was just under 4% in December 2023. The Bank of England reduced the base rate of interest from 0.75% to 0.1% in October 2020. In December 2021 The Bank of England started increasing the base rate of interest, by December 2022 it increased to 3% and continued to increase steadily to reach 5.25% in August 2023. In recent years, there has been weak consumer confidence which has resulted in little to no growth in the non-food retail sector. The lack of growth has seen record levels of store closures and traditional retail businesses going into administration.

In December 2020, the UK Government agreed a deal with the European Union (EU) to leave the EU. The then Prime Minister Boris Johnson said “The UK has taken back control of its laws” and he also went on to say that “the £668bn a year agreement would protect jobs across the country, enable UK goods to be sold without tariffs and without quotas in the EU market”. However, there are still some issues with the deal. For example, some new checks will be introduced at borders which could lead to delays with transportation. One grocery industry expert stated that “there will be a little bit more administration associated with importing and exporting, but I think that it will hardly be felt in terms of the prices the consumers are paying”.

Environmental change

Consumers are becoming increasingly aware of the environmental and social impact of their decisions, including the way they shop and eat. Approximately 3.5 million consumers in the UK are reducing their meat and dairy consumption, leading to strong growth in alternative products. The market for plant-based food is worth over £740 million in sales revenue.

Grocery retailers are also coming under increasing scrutiny on the use of plastic packaging and the management of food waste. Non-food retailers are also coming under pressure due to increasing awareness of the environmental impact of clothing manufacturing and plastic products such as toys and kitchen utensils.

Sainsbury's strategy

To deliver its purpose and vision, Sainsbury's will focus on strategic priorities which are designed to ensure that it continues to give customers what they want in a rapidly changing retail marketplace, while also delivering value for its shareholders. Some of Sainsbury's strategic priorities include:

- **Fast, friendly and convenient** – Sainsbury's is consistently improving its customer experience. Sainsbury's has rolled out SmartShop technology to all supermarkets, delivering easier and convenient ways for customers to shop using in-store handsets or their own smartphone so customers can scan items as they shop. Customers are increasingly choosing to shop in this way and SmartShop sales account for up to 20% of sales in some stores. To further improve supermarkets, 3639 self-checkouts have been upgraded. Recent customer service scores show that customers value the improvements. Ease of checkout is up 3% and speed of checkout is up nearly 4%.
- **Being competitive on price** – Sainsbury's focus is on offering customers quality products at affordable prices. Sainsbury's introduced 200 low-priced products across a selection of its own brand ranges. Sainsbury's uses price lock on a number of branded and own-label products throughout its stores, which means that prices are reduced for at least 8 weeks. However, the quality of the food and the exclusive products sold by Sainsbury's is one of the main areas of the marketing mix used to differentiate it from its rivals. With the £1billion Taste the Difference range, Sainsbury's has a bigger proportion of premium own brand product sales than any of its major competitors.
- **Environmental and ethical** – Sainsbury's has committed to invest £1 billion to become net zero for greenhouse gas emissions across all of its operations by 2040. Sainsbury's will use this investment to focus on reducing its carbon emissions, food waste, plastic packaging, water usage and increasing recycling, healthy eating and growing food from sustainable sources. Sainsbury's has responded to the increasing popularity of veganism and in 2019 it was awarded 'Best Vegan Supermarket', continually adding new products to its vegan range. Sainsbury's is committed to offering customers nutritious and healthy food and encouraging active lifestyles. For example, it has invested in its Active Kids scheme which offers activities for children during school holidays. In addition, Sainsbury's supports local communities by making charitable donations. For example, by 2020 Sainsbury's had raised £359 million for local and national causes and over 35000 of its employees worked with 2400 local community projects during their working hours. In 2024 Sainsbury's invested £200 million in increasing employees pay.

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- **Risk management** – Sainsbury's risk management team assessed the likely impacts of leaving the European Union. The risk management process involved considering the likely disruption of goods entering the UK with increased border controls and increased paperwork (bureaucracy), possible tariffs and quotas, stock control issues, sales reductions, pressures on profit margins and the availability of labour.

Sainsbury's financial performance

Extracts from Sainsbury's financial statements:

Profit and Loss Accounts (Income Statements)		
	2023 (£ millions)	2022 (£ millions)
Sales Revenue	31 491	29 895
Less Cost of Sales	29 074	27 538
Gross Profit	2 417	2 357
Less Expenses	1 480	1 352
Net Profit	937	1 005
ROCE	?	5.9%

Balance Sheets		
	2023 (£ millions)	2022 (£ millions)
Fixed Assets	18 257	20 162
Current Assets	7 901	6 750
Current Liabilities	11 614	9 868
Long-Term Liabilities	7 291	8 621
Net Assets	7 253	8 423
Total Shareholder Funds	7 253	8 423
Current Ratio	?	0.68:1
Gearing Ratio	?	50.58%

The information below shows the financial performance of two of Sainsbury's main competitors in 2023:

TESCO		MORRISONS	
ROCE	8.6%	ROCE	3.95%
Current Ratio	0.74:1	Current Ratio	0.36:1
Gearing Ratio	56.93%	Gearing Ratio	38.43%
<i>Adapted using figures from annual reports 2023</i>			

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| 1 | 1 | Consider how Sainsbury's has responded to potential risks. | [8] |
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| 1 | 2 | Discuss the impact of inflation and increased interest rates on Sainsbury's and its customers. | [10] |
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| 1 | 3 | Consider how Sainsbury's ethical and environmental priorities may impact on its profits. | [10] |
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| 1 | 4 | Evaluate the impact on UK businesses of not being a member of the European Union. | [10] |
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| 1 | 5 | Calculate Sainsbury's return on capital employed (ROCE), current ratio and gearing ratio for 2023. Evaluate the financial performance of Sainsbury's. | [12] |

SECTION B

Answer **one** question from this section.

Answer **either** question 2 (

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2. Marketing strategy and profit

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 Describe how a holiday company, such as TUI or Jet2holidays, may use market segmentation to attract customers to purchase a holiday. [10]

2	2
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 “An effective pricing strategy is the best way for a business to improve its profit.” To what extent do you agree with this statement? [20]

3. Leadership and the management of change

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 Describe the internal and external causes of change that could affect a nationwide chain of restaurants. [10]

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 “An autocratic leadership style should always be used to enable a business to successfully manage change.” Discuss. [20]

4. Strategy and implementation

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 Describe how Ansoff’s Matrix may be a useful management tool to a business experiencing a fall in sales in a saturated UK market. [10]

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 “There are no disadvantages of outsourcing production. It will only benefit a business and its stakeholders.” Discuss. [20]

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