



GCE A LEVEL

A510U30-1



BUSINESS – A level component 3
Business in a Changing World

MONDAY, 18 JUNE 2018 – MORNING

2 hours 15 minutes

ADDITIONAL MATERIALS

A WJEC pink 16-page answer booklet.
A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.
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.

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 information below and answer the questions that follow.

Aldi

Aldi can trace its history to the time when Anna Albrecht opened her first shop in Essen, a mining town in Germany, in 1914. In 1962 the name of the business was shortened from Albrecht Discount to Aldi. With a strong focus on organic growth, today the company has 4 000 stores worldwide in several countries including 785 in the UK and Ireland. This is particularly unusual as Aldi is still a private limited company.



Aldi has the following to say about the way that it operates:

“Our day-to-day items cost less because we buy them in great volume. And because we buy them from the same, hand-picked suppliers (whose products are sold under our own labels) we are able to negotiate substantial discounts – savings that we then pass on to the customer.

We do not spend huge sums of money on fancy displays and gimmicks in order to persuade customers to buy.

Our buyers are experts in their field, from fresh fruit and veg to electronics and fine wines. They instinctively have an eye for which products from around the world represent the best quality at the best prices.

Aldi’s Corporate Responsibility Policy

We’re committed to offering quality products at the best price. And we also want to help our customers lead healthy lifestyles by making our products healthier, giving clear nutritional labelling, promoting fresh fruit and vegetables, and encouraging responsible drinking.

We work with suppliers to ensure safe and fair working conditions throughout our supply chain. We want to be able to assure our customers that the people who make our products are treated fairly.

The long-term success of our business depends on the raw materials of all our products being sourced in a sustainable way. We work with our suppliers to minimise the resource intensity of our products and the negative environmental impacts of their production. We are committed to reducing our carbon footprint and reusing and recycling our waste.

Our employees are at the heart of our company and our relationship with them is built on the principles of cooperation, honesty, trust, respect, individual empowerment, accountability, mutual support and learning.

We believe in supporting the communities within which we operate by supporting charitable organisations.”

The following is adapted from an article in The Times newspaper on 1 October 2016.

In the pre-Brexit era German supermarkets have taken a considerable percentage of the UK grocery trade but Matthew Barnes, chief executive of Aldi UK, is unhappy with the suggestion that the grocer is a “German” supermarket. Last year Aldi had record £7.7 billion sales in the UK. This reflected a doubling of sales in three years which has helped to push Aldi’s share of the UK grocery market to a high of 6.2 per cent and Mr Barnes says that customers are drawn to its low prices and its “Britishness”.

“We are a fantastic supporter of British farming and we are the only retailer that has 100 per cent British meat all year round – we are a British business,” he says.

Aldi may be a British business, and one that has completely shaken up the country’s declining grocery sector, but it is also a company whose profits have fallen for the past two years as the food price war rages. In 2015 Aldi’s operating profits fell by 1.8 per cent to £256 million. Pre-tax profits slid to £213 million, from £249 million in 2014 and £261 million in 2013.

This decline is not a problem, according to Mr Barnes, even as he admits that “this is the toughest it has been for grocers in terms of margins and price deflation in living memory”. Falling profits are just a sign that Aldi is adapting to market conditions and ensuring that it will never break its promise to shoppers to always give them “that thrill at the till”, as he says. “You know, that ‘wow’ feeling that customers feel when they see the receipt and the discount they have received.”

Mr Barnes says that Aldi won’t stop cutting prices either to maintain its position as the country’s cheapest grocer, even if it has to fall into the red to maintain its position as price leader. “We have never hidden the fact that our margins have come down as they would do reacting to any price situation in the market,” he says. “As our competitors have tried to close the [price] gap we have moved accordingly. It is here that I think our private ownership helps. We have tremendously supportive shareholders behind us and we are here for the long term.”

In January 2017 The Independent newspaper reported that:

Aldi is to give more than 3 000 employees a pay rise, overtaking Lidl to become the UK’s highest-paying supermarket. From next month, Aldi staff will earn £8.53 per hour, raised to £9.75 per hour for those who live in London. This is higher than the Government’s national living wage rate of £7.20 an hour. It even surpasses the Living Wage Foundation’s voluntary rate of £8.25 per hour.

A total of 3 356 Aldi employees in the UK will benefit from the pay increases. Aldi claimed its rate of pay will be the highest in the retail sector, beating fellow German discounter Lidl’s plan to offer staff £8.45 per hour nationally from March. The announcement comes just a few months after Chancellor Philip Hammond said the mandatory national living wage rate will increase to £7.50 at the beginning of April – 10p less than expected.

Matthew Barnes, chief executive officer for Aldi UK, said: “We recognise the valuable contribution that our thousands of store employees make every day. Their dedication and commitment is a key reason why Aldi is the UK’s fastest-growing supermarket. We employ the best people in retail and invest in their training to enable them to carry out a range of different roles in store.”

Growth

The chief executive, who is “incredibly hands on” and spends three days a week visiting Aldi stores and its rivals, says that falling like-for-like sales are not a problem either, merely a consequence of aggressive shop openings. Aldi’s comparable sales could fall further too as the expansion programme continues: “We know that there are dozens of towns in the UK where there is no Aldi when there could be three, four or even five stores. Aldi will be opening 80 new stores this year, bringing the total in the UK to 700.” By 2022 Aldi hopes to have 1 000 stores across the country and says that there is “no reason there can’t be an Aldi store in every town and city in the UK. There are towns like Bath, Slough and Torquay where there is not a single Aldi.”

Mr Barnes says that his confidence is driven by the “leanness” of its operations, which is why Aldi is famous for keeping its costs down. Today Aldi UK has reduced the cost of its operations with measures such as only stocking a limited range of products – mostly own brand products and best-sellers – and producing “shelf ready” packaging that reduces staff handling time. Mr Barnes says that Aldi is ruthless when it comes to cutting products that don’t sell and every extra cost, such as its installation of new chill space in more than 100 stores next year as part of its £300 million “refresh” programme, is considered carefully.

“Our leanness makes us the most efficient operator out there with the lowest cost base,” says Mr Barnes, who has carried out every task there is from stacking shelves to heading the buying operations in Australia before he became UK chief executive. “We can focus intensely on each of our 1 500 core products which you simply can’t do when you have 45 000 products (like the Big Four grocers). As a private limited company we are in control of our destiny and that is exactly what allows us to produce products with Marks & Spencer quality that are cheaper than Asda.”

Mr Barnes said that Aldi had already won the price war. He spends two days each week in the office tasting and signing off all food and drink sold at Aldi and says that the next is “quality”.

Aldi, which was once best described as simply a “hard discounter” has now gained a devoted following among Britain’s middle classes. “Our buying teams are working night and day to make sure we are always at the right end of price and quality in all ways.”

- (a) Analyse Aldi’s approach to corporate responsibility. [8]
- (b) Discuss the similarities and differences between Aldi and traditional supermarkets, such as Tesco and Morrisons, and how this has affected Aldi’s performance. [12]
- (c) Evaluate Aldi’s plans for organic growth in the UK. [10]
- (d) The key to the success of multinational companies, such as Aldi, is their ability to adapt their products, activities and working practices to reflect local needs (known as glocalisation). To what extent do you agree with this statement? [10]
- (e) Discuss the likely consequences to Aldi’s stakeholders of the UK’s decision to leave the European Union (Brexit). [10]

SECTION B

Answer one question from this section.

2. People at work

- (a) Explain how Maslow's hierarchy of needs might be used to motivate workers who are employed in a department store, such as John Lewis or Debenhams. [10]
- (b) Discuss, with the use of examples, the view that for all businesses, workers are always the organisation's most important resource. [20]

3. Ethics versus profit

- (a) Explain the type of ethical considerations that an oil company such as BP or Shell would need to take into account in operating its business. [10]
- (b) "Few large companies truly value ethical matters since they are mainly interested in making as large a profit as possible." Discuss. [20]

4. Business and society

- (a) Explain how demographic change might affect a holiday company such as Thomas Cook or Thomson (TUI). [10]
- (b) Discuss the view that businesses that fail to respond successfully to social factors, such as changes in the age profile, culture, lifestyle and preferences of consumers, are likely to fail in the long term. [20]

END OF PAPER

BLANK PAGE

BLANK PAGE