



GCE A LEVEL

1510U40-1



S19-1510U40-1

FRIDAY, 7 JUNE 2019 – MORNING

BUSINESS – A2 unit 4
Business in a Changing World

2 hours 15 minutes

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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.

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 case study below and answer the questions that follow.

MARKS AND SPENCER – M&S

Founded in 1884, Marks and Spencer (M&S) has grown from a single market stall to an international, multi-channel retailer. M&S is one of the UK's leading retailers and sells food through 942 UK stores, including 253 owned and 383 franchise Simply Food stores. The food business of M&S accounts for 60% of its UK turnover and revenue increased by 4.2% in 2017. Through innovation, quality and choice, customers can go to M&S for every occasion, whether it is healthy cooking ideas, delicious meals from around the world or convenient food on-the-go.

M&S also sells high quality, own-brand clothing and homeware through 343 full-line stores and via the M&S.com website. Womenswear, Menswear, Kidswear, Lingerie, Beauty and Home products account for 40% of UK turnover, however revenue fell by 2.8% in 2017.

PLAN A – OPERATING IN AN ETHICAL WAY

Plan A was launched in January 2007 with a focus on the key environmental, social and ethical challenges facing the company but would cost £200 million over five years. Using this strategy, M&S has become a business that tries to do the right thing demonstrated by the company helping disadvantaged people into work and to the vast amount of charity support delivered. In 2017 alone, M&S offered 1 400 unemployed young people one-month work placements in a scheme backed by The Prince's Trust. M&S has also installed low-energy lighting and changed the kind of refrigerators it used, which helped cut overall carbon emissions by 0.5% year-on-year and 23% since 2006.

Since the introduction of Plan A, M&S has also cut waste by 28% and water use by 27% and has trained and educated more than 240 000 workers in its supply chain. Plan A has also saved M&S approximately £320 million.

It can also be argued that M&S has avoided many public relation disasters because of the policies of Plan A. During 2013, M&S was untouched by the horsemeat scandal that hit Tesco among others, and also had no links to the Rana Plaza factory in Bangladesh where more than 1 000 workers died in the April of that year when the building collapsed. Primark was among the clothing brands that had to defend its manufacturing strategies after the tragedy.

PLAN A – PUTTING THE CUSTOMER AT THE HEART OF EVERYTHING IT DOES

According to the annual report in 2017, M&S will still operate in an ethical way but the company has now transitioned Plan A into a new way of working that puts the customer at the heart of everything it does.

M&S actions are driven by listening to customers and analysing the market to build a picture of customer shopping habits. M&S has a Customer Insight Unit (CIU) which gathers feedback through a number of different channels, including store exit surveys, online surveys, till surveys and focus groups. In 2017, over 700 000 customer interviews were conducted, either in person or through online surveys. Using the information from CIU, M&S changed the layout of the clothing departments because of customer feedback that stores were sometimes confusing to shop in.

Quantitative data from 7 000 customers has been used to guide investment in improving service in M&S stores. Customers wanted to see more customer assistants in stores. M&S responded by putting over 3 000 more employees into the departments where customers said they value service most, including Fitting Rooms, Men's Suits and Footwear.

The online Clothing & Home research panel is used for developing the product range of M&S. It has a customer interaction every five seconds with over 231 000 customers. Invaluable feedback on new products is gained so that M&S can increase the purchases of stock for customer favourites and eliminate products that are less popular.

45 The next few years present exciting opportunities. For example, since the launch of Sparks in 2015, which is a form of loyalty card, nearly 1.5 million people have downloaded the M&S app. This combination of technology and loyalty is powerful and allows M&S to enhance distribution networks and effectively create customer profiles. M&S is already using data collated from the Sparks Card. 5.6 million Sparks members now receive tailored offers based on their interests and shopping habits.

50 EXTERNAL INFLUENCES

M&S faces stiff competition across the UK food sector with recovery among the main four supermarkets Tesco, Asda, Sainsbury's and Morrisons and the continued growth of the discounters such as Aldi and Lidl. The clothing and homeware market also remains highly competitive with promotion and price used heavily to attract customers.

55 In 2017 a survey showed high street sales were falling at their fastest rate since the height of the recession in 2009. Another survey showed a 9.1% drop in shopping centre footfall in October of 2017, compared with figures in the same month of 2016. Spending on clothing is also coming under pressure as consumers spend more on experiences meaning that retailers are competing with cinemas and restaurants for consumer spending.

60 Finally, customer behaviour is evolving, and the pace of change is accelerating. Rather than doing one big food shop a week, there is a growing trend of customers picking up food on a daily basis. Customers are also increasingly using technology. They will browse or buy online and collect in store or they will buy on their smartphone for home delivery.

STRATEGIC PLANNING

65 The company has embarked on a five-year turnaround plan underpinned by a major cost-cutting drive to cut 10% from its £3.4billion UK running costs. As part of the overhaul, there has been a reduction of roles at Head Office with a loss of 590 jobs.

70 The M&S Chief Executive is focused on accelerating the expansion of its food empire and taking a more ruthless approach to struggling clothing stores. By 2022, the use of around 25% of floor space will be changed, with more of it being deployed to Food and other growth areas. Clothing & Home space will reduce by around 10%. Approximately 30 full-line stores will close, and 45 will be converted to Simply Food. The transformation should also enable the company to grow Clothing & Home sales through fewer, better stores.

75 The international operations of M&S have also changed. Whilst the franchise business is profitable, their owned retail outlets are not. The strategy now is to focus on franchise partnerships and the growing online business and withdrawing owned businesses from 10 loss-making markets including China and France. However, M&S will remain a significant player on the global stage with a store or online presence in 55 countries.

80 The focus of M&S is to renew around a quarter of their product range every year and to provide high quality products and convenient food in convenient locations.

85 Technology is changing at a fast pace and sales on M&S.com now account for 17% of Clothing & Home sales. M&S will continue to invest in new technology to provide greater accessibility for customers and to improve customer service in store. There will be continued investment in in-store technology such as Electronic Point of Sale (EPOS), Self Service and Contactless payment systems. To conclude, a lot of change is taking place and M&S is playing catch-up on competition. Therefore, it has been suggested that the turnaround could take some time.

*Adapted from: <http://annualreport.marksandspencer.com/>
<https://www.theguardian.com/business/2017/nov/04/marks-and-spencer-to-announce-more-store-closures>*

- (a) State the meaning of workforce planning and explain why a workforce plan is so important to M&S. [8]
- (b) Assess the view that in a competitive industry, acting in an ethical way will only have a negative impact on the profitability of M&S. [10]
- (c) Evaluate the impact on the stakeholders of M&S of changing Plan A into putting “the customer at the heart of everything it does”. (Lines 29-30) [12]
- (d) To what extent are technological and social factors likely to affect the operations of M&S? [8]
- (e) “The strategy adopted by M&S to focus more on food and withdraw from some international markets is likely to be successful.” Discuss. [12]

SECTION B

Answer one question from this section.

2. Research and development

- (a) Describe the ways in which businesses in the cinema industry, such as Odeon, Vue and Cineworld, can use research and development to innovate their products and services. [10]
- (b) “Businesses that ignore research and development are likely to fail.” Discuss. [20]

3. Objectives and strategy

- (a) Devise **two** SMART objectives for a start-up takeaway pizza outlet and describe how these objectives help the business achieve its aim. [10]
- (b) “A business organisation’s main objective is the pursuit of profit and all other objectives are of secondary importance.” Discuss. [20]

4. Macro-economic factors

- (a) Describe the impact of changing exchange rates on a manufacturer who exports products to Europe. [10]
- (b) Evaluate the view that for most businesses interest rates are the most important economic factor. [20]

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