



**GCSE – NEW**

3510U20-1A



**TUESDAY, 4 JUNE 2019 – AFTERNOON**

**BUSINESS**

**Unit 2: Business Perceptions**

**Resource Material**

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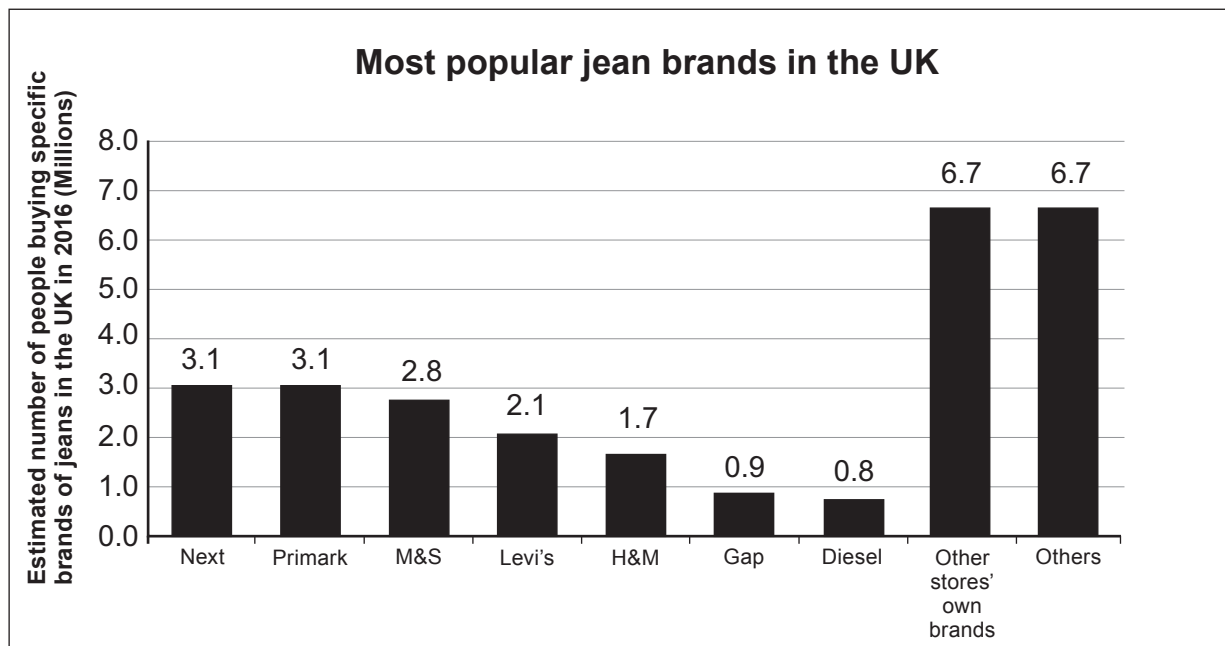
1. Jeans are a very popular item of fashion that appeal to many people around the world. In the UK, women spend more money on jeans than men. In 2017 men spent £129 million on jeans and women spent 38% more.

Research carried out in 2016 collected the following data about the denim and jeans market:

Denim purchase by region	Share of purchases
North America	39%
Western Europe	20%
Japan & Korea	10%
Rest of the world	31%

In 2017, 3.2 billion pairs of jeans were sold around the world for a total sales value of £72 billion. This means that the average pair of jeans was sold for £22.50 in 2017. There are a number of mass-market brands that are the market leaders such as Levi's, Pepe and Diesel. The majority of the best-selling jean producers are based in the United States.

Below is a graph showing the most popular jean brands in the UK in 2016.



Source: Adapted from <https://statista.com/statistics/312990/leading-jeans-brands-in-the-uk/>

### Hiut Denim Company

As well as the mass-market brands there are some small producers of jeans, such as the Hiut Denim Company, a Welsh business selling its jeans for up to £230 per pair. Hiut Denim employs 15 people and produces 100 pairs of jeans per week. Hiut will repair the jeans for life, for free, an effective USP in a very competitive market. The quality of its products is essential for Hiut in order to continue to be successful and not be overrun with repairs.

Hiut only produces jeans and its slogan of “Do one thing well” supports this approach to business. It uses organic, hard-wearing materials to increase the life span of the jeans to differentiate itself from its more famous competitors.



### **Do one thing well**

We make jeans. That’s it. Nothing else. No distractions. Nothing to steal our focus. No kidding ourselves that we can be good at everything. No trying to conquer the whole world. We just do our best to conquer our bit of it. So each day we come in and make the best jeans we know how. Use the best quality denims. Cut them with an expert eye. And then let our “Grand Masters” behind the sewing machines do the rest.

There is a great deal of satisfaction to be gained from making something well, of such superior quality that you know it is going to stand the test of time. It makes the hard work and the obsessing over each and every detail worth all the effort. That’s our reward. That’s why we stick to just making jeans. Yup, we just make jeans. That’s all folks.

Source: <https://hiutdenim.co.uk/blogs/story/4800102-do-one-thing-well>

Hiut produces all its jeans in Cardigan, West Wales. The business uses a multi-channel distribution approach, selling through its own website and also through 15 selected retailers in the UK. Hiut also sells its products abroad, with 25% of sales exported through its website and two retailers in Germany and one in Australia. Hiut has no retail shops of its own.

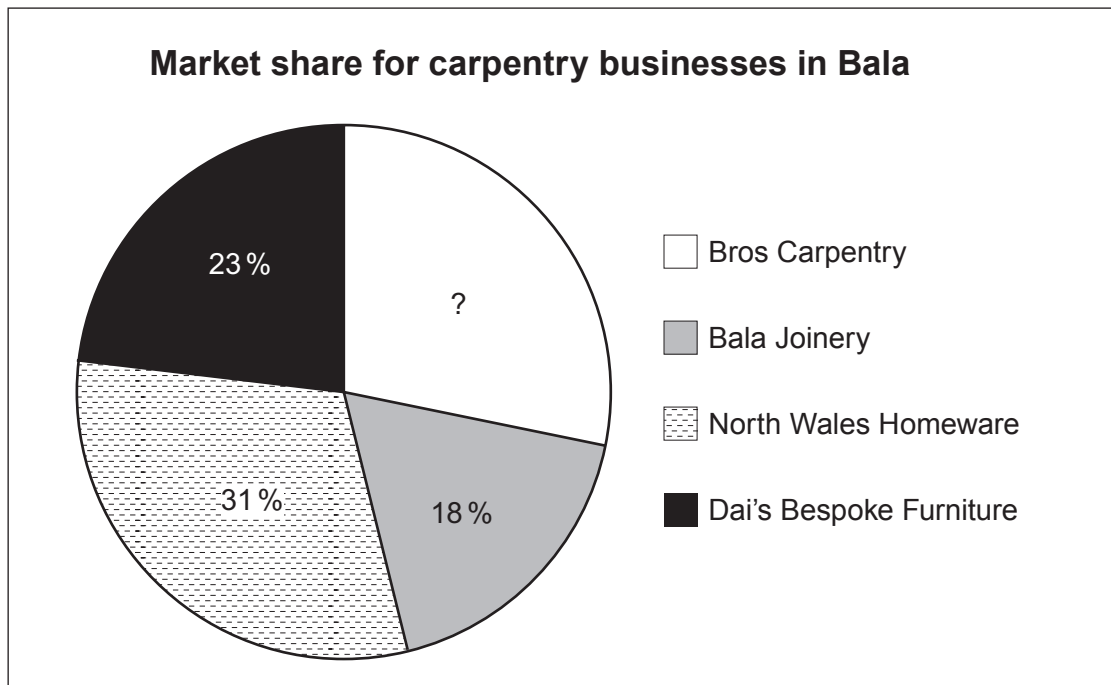
Products ordered through the Hiut website are available in a wider range of sizes than mass manufacturers, such as Levi’s and Diesel, and include detailed measuring guides to help customers get the exact size they require. Also the website is constantly updated to show customers when unavailable products will be ready to buy – even if Hiut has run out of the correct size it will still process the order, take payment and confirm a shipping date when the product will be with the customer.

Hiut has social media accounts on Twitter, Instagram and Facebook. It has never used mass media (like TV or radio advertising) to promote its products, it has relied on positive customer reviews and the occasional on-line voucher code to boost sales. Hiut has also benefitted from its products being worn and endorsed by various celebrities such as Meghan Markle and The Arctic Monkeys, but it has never paid individuals to promote its jeans.

2. Bros Carpentry is a business partnership owned and run by two brothers, Gareth and Rhys Lloyd, in Bala, North Wales. Gareth and Rhys Lloyd grew up in Bala and decided to set-up the business when they became fully qualified carpenters following apprenticeships with local businesses.

Bros Carpentry has been established for 10 years and the brothers' knowledge of the local market has helped them to create a profitable business. The brothers are the only employees of the business and complete all the work themselves.

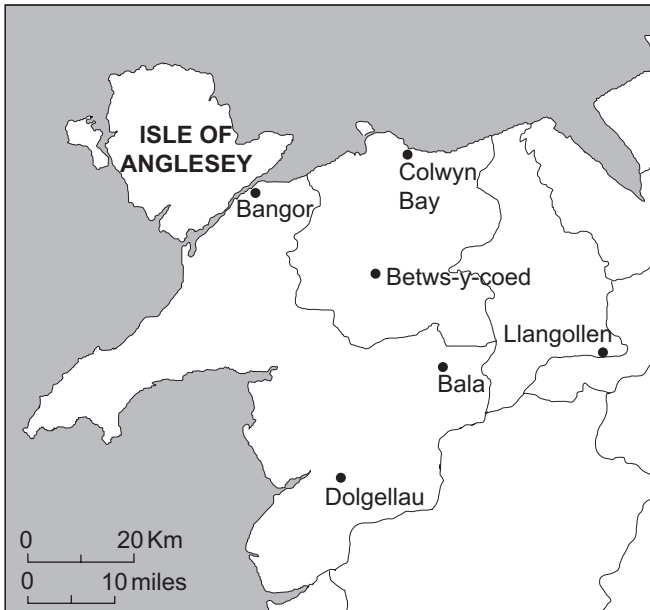
The business has built up a very good reputation and has a 5 star rating on 'TrustATrader.com' which allows customers to rate the work of their local traders based on their prices, quality and professionalism. Customers can use this website to see reviews before they contact a business to carry out work for them. Bros Carpentry realises the reviews are important as it is in competition with a number of local carpentry businesses. The graph below shows the market share for carpentry businesses in Bala.



Bros Carpentry specialises in kitchen fitting, making staircases and household furniture such as wardrobes, dining tables and bookcases. Bros Carpentry uses job production to make its products. The business has always used JIT (just-in-time) as a stock control method, which the brothers believe to be the most suitable option for them.

Bros Carpentry currently rents a workshop in Bala for the production of its products, before they are transported to customers' houses for the installation of the finished goods. The workshop in Bala costs £600 per month to rent. Bros Carpentry has looked at expanding the business and has decided to rent a second workshop in nearby Dolgellau (20 miles away) for £400 per month.

It believes this is an important step in expanding the business. The brothers considered locating in other areas of North Wales but believe that Dolgellau was the best choice for their business.



Town	Population
Bangor	18 810
Bala	1 974
Betws-y-coed	564
Colwyn Bay	31 353
Dolgellau	2 688
Llangollen	3 658

For the first time since the business was started, the brothers will work in different workshops. To check the financial impact that the extra cost of renting the workshop in Dolgellau would have on the business, Bros Carpentry has produced a cash-flow forecast to help plan for the next 6 months.

Bros Carpentry cash-flow forecast July to Dec 2019						
	Jul	Aug	Sept	Oct	Nov	Dec
<b>Receipts</b>	£	£	£	£	£	£
Turnover	6 000	8 000	10 000	9 000	9 000	
<b>Payments</b>						
Rent	1 000	1 000	1 000	1 000	1 000	1 000
Wages	3 000	3 000	3 000	3 000	3 000	3 000
Stock	2 400	3 200	4 000	3 600	3 600	2 400
Advertising	500	500	500	500	500	500
Other costs	100	0	200	150	50	0
<b>Total payments</b>	7 000	7 700	8 700	8 250	8 150	6 900
<b>Net cash flow</b>		300	1 300	750	850	-2 800
Opening bank balance	800	-200		1 400	2 150	3 000
Closing bank balance	-200	100	1 400	2 150	3 000	200

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