



GCSE – **NEW**

C510U20-1A



BUSINESS – Component 2
Business Considerations

TUESDAY, 4 JUNE 2019 – AFTERNOON

Resource Material

1. *BookBase* is a book shop based in a small town on the south west coast of England, the shop is located on a busy high street. It is owned by Yasmin Goodier, a 59-year-old retired school teacher with a love for books, who runs the business as a sole trader. Yasmin is well-known in the local area and has developed a well-established local brand, she is also known for being good at recommending books for her customers to read.

The business started in 2015 after Yasmin took early retirement to pursue her passion. She knew things would be tough as new businesses often face difficulties. She sometimes struggles to compete with large rivals such as *Amazon*, *Waterstones* and *Tesco*. Very often she can't even purchase some of the books for the price the large businesses sell them to their customers; she thinks it's unlikely they are making a profit on some books.

Yasmin only stocks printed books, but customers have asked about digital books. Yasmin's husband was concerned when she started out with the business that digital books, such as *Kindle*, would become more popular.



After carrying out secondary research Yasmin found some relevant facts:

- Sales of digital books declined 1% in 2017 and are predicted to fall further
- Retail sales on the high street saw a 4% rise in sales of printed books in 2017
- Sales of printed books from online retailers continue to grow, with a 32% market share in 2017 of all books sold
- Sales of printed books are forecast to rise by 6% in 2019 to £1.7 billion

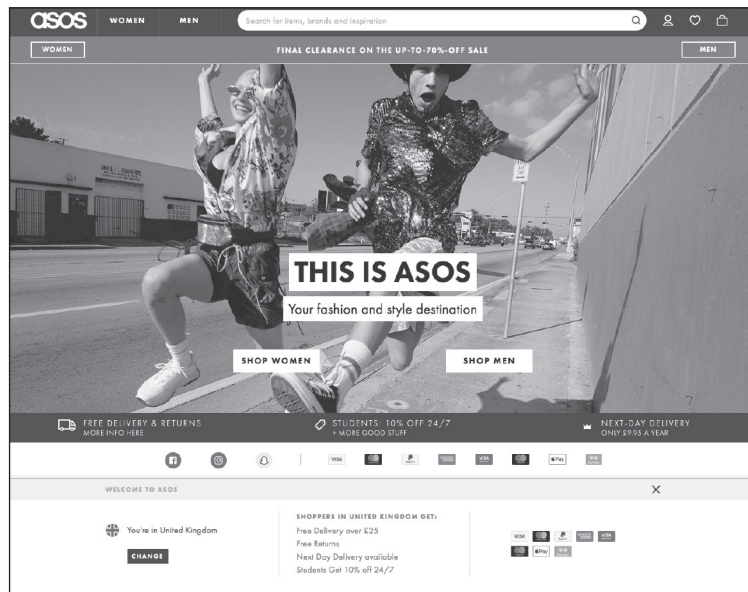
Yasmin is considering conducting some primary research to find out if she should make any changes to the business.

To help her plan for the future Yasmin has created a cash flow forecast for the next six months.

BookBase Cash Flow Forecast July to Dec 2019

	July (£)	Aug (£)	Sep (£)	Oct (£)	Nov (£)	Dec (£)
Total revenue	7 000	4 000	5 000	8 000	8 000	10 500
Payments						
Cost of sales	3 000	2 000	3 000	3 500	1 000	750
Rent and business rates	1 000	1 000	1 000	1 000	1 000	1 000
Gas and electricity	150	150	150	150	150	150
Wages	2 500	2 500	2 500	2 500	2 500	2 500
Other costs	300	200	100	300	300	400
Total payments	6 950	5 850	?	7 450	4 950	4 800
Net cash flow	50	-1 850	-1 750	550	3 050	5 700
Opening bank balance	300	?	-1 500	-3 250	-2 700	350
Closing bank balance	350	-1 500	-3 250	-2 700	350	?

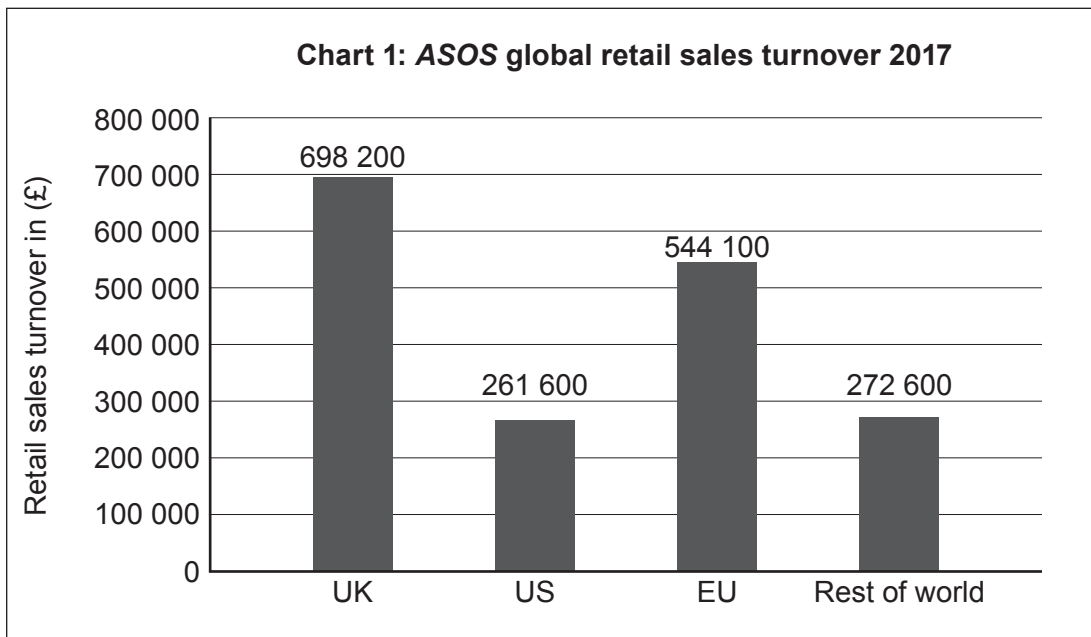
2. ASOS is a British online fashion business, based in London, the company sells clothes, shoes, jewellery, beauty products and accessories all over the world. The business is a PLC.



The business does not have any shops, it only sells online. ASOS has become one of the biggest success stories of the e-commerce world with sales turnover of nearly £1.8 billion in 2017.

The business was launched in 2000 amongst many other online businesses that were not so lucky to survive. ASOS chief executive Nick Beighton, commented that “back then in 2000 people said no one would buy clothes off the internet”. Beighton has a reputation for using new technology and being able to predict new trends.

- In 2010 the business introduced m-commerce.
- The business uses social media sites such as *Instagram* where it has a large number of followers who can get recommendations about what to wear and the latest trends.
- ASOS is considered to be one of the world’s most successful digital brands.
- The business uses technology to track customer trends so its able to predict what customers want.
- ASOS runs a modernised stock control system, ensuring it has the in-demand stock to meet customer needs.
- It delivers world-wide for free and in the UK within 24 hours of ordering.
- Research has shown that ASOS is the second most visited fashion website throughout the world.



ASOS manufactures its products globally and the finished products are all sent to the UK distribution centre, these are then sent to customers all around the world.

ASOS manufactures its own brand clothes, 4% of which are produced in the UK, in addition it sells branded goods such as *Nike*, *Wrangler*, *Vans* and *River Island*. It offers between 2000 and 7000 new styles each week, stocking over 85000 product lines.

ASOS must run an effective and efficient supply chain. All products are stored in its distribution centre, located in Barnsley, Yorkshire which is the size of six football pitches. This single distribution centre helps reduce shipping costs per item, because items can be bundled and sent to the same location. These cost savings are passed onto the consumer, which helps keep prices low. Despite its size the distribution centre in Barnsley is running at maximum capacity and running out of space, the business wants to expand the distribution centre in order to keep up with demand.

ASOS has created brand awareness on a global scale. Currently, sales in the US (United States of America) make up around 14% of ASOS' total sales globally. According to Nick Beighton, business is growing very quickly in the US and operations and logistics will be the key to achieving its objective of becoming the number one online retailer for young consumers in the US.

Currently most orders for the US market are being shipped from the UK and ASOS deliver to the US for free within 6 working days and at a cost of approximately £9 for the customer for delivery within 2 working days. A new US distribution centre is being developed to help ASOS achieve its objective.

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