



Rewarding Learning

ADVANCED

General Certificate of Education

2023

Business Studies

Assessment Unit A2 1

assessing

Strategic Decision Making



ABU11

[ABU11]

THURSDAY 25 MAY, AFTERNOON

TIME

2 hours.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.

You may use a calculator.

Answer **all** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 90.

Quality of written communication will be assessed in Questions **2, 3, 4** and **5**.

Quantitative skills will be assessed in Question **5**.

Any workings should be clearly shown since marks may be awarded for partially correct solutions.

Figures in brackets printed down the right-hand side of the pages indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time.

Study the information in the case study below and answer all the questions that follow.

Way Market Ltd (trading as Way Market)

Way Market is a leading food retailer in Ireland providing high quality products at market leading value. Since entering the Irish market in 1999, Way Market currently operates 152 stores in Ireland, of which 30 are located in Northern Ireland. Approximately two million customers pass through their doors weekly. Way Market's vision is to improve the lives of its customers by ensuring satisfaction through the provision of high quality food at competitive prices, achieved through bulk buying.

Its mission statement states:

"We deliver outstanding customer satisfaction and we guarantee quality food through a rigorous product development and quality control process. We have high calibre staff and we aim to be one of the best food retailers in Ireland."

Way Market's management team understands the importance of having a mission statement that is current and up to date to reflect changing times. The team believes that it should not just be used as a public relations (PR) exercise, but as a way to communicate the aims of the business to all stakeholders.

Way Market employs 4311 staff, of which 882 are employed in Northern Ireland. The company's distribution centre is located in County Down. Way Market's business differentiates itself from its competitors such as Tesco, Sainsbury's, Asda, Lidl and Eurospar by focusing on simplicity and maximum efficiency at every stage of its business operations. The company has excellent supply chain relationships with suppliers and producers in the food industry, receiving discounts on bulk orders which are passed directly back to the customer in the form of low pricing without compromising on quality. These factors have led to Way Market's growth. In 2020 Way Market was the fastest growing supermarket, reporting an estimated annual growth rate of 9% sales revenue. The management team hopes to continue with its organic growth strategy by reinvesting profits back into the business.

Way Market has developed a People Policy which is incorporated into its overall business strategy. Way Market is committed to having a happy and healthy workforce and recognises that people are central to its success. The key elements of the People Policy include excellent standards of customer service, supporting local communities and ensuring excellent working conditions for staff. Way Market's management team introduced a Pay Policy for all employees that gives all employees a wage rate that is 4% higher than the current National Minimum Wage. It also offered its store and warehouse employees employment contracts which include working a minimum of 30 hours per week to facilitate employees' changing needs. In addition, the company provides an attractive pension scheme with maternity and paternity leave of up to one year, the latter offering a better work/life balance. As a large business, Way Market has its own specialist human resource team to deal with all recruitment, selection and training issues.

As part of its Planet Policy to help the environment, Way Market's management team has decided to remove black plastic from its entire fruit and vegetable range across all 152 stores. This has saved over 50 tonnes of black plastic annually. In addition, the sale of single-use plastic items including drinking straws, disposable plastic cups and cutlery has ceased, replacing such items with biodegradable alternatives. Way Market's management team's aim is to reduce its packaging volumes by 20%. By 2025 all of its own branded packaging will be recyclable, reusable, refillable or renewable. The company's management team has invested £1 million in new packaging technology, in order to reduce its own-branded packaging volumes and to achieve its target.

The management team understands the need to communicate with its stakeholders so that its values and aims are understood. The company communicates externally with customers through many different channels, including smartphones, internet, television and social media. Way Market uses suppliers who fit into its business culture. Many of its suppliers have been working with the company since it started trading in Ireland. The company's sales and product design team works closely with suppliers in relation to quality, packaging and new product design ideas, ensuring that customers' needs are met.

Way Market's employees can use several two-way internal communication channels with management, including the use of an intranet facility, employee app and in-house monthly business employee newsletter. The management team realises that not all stakeholder groups are able to communicate effectively, due to out-of-date technology, which must be addressed and updated.

One way of successfully achieving growth is through the use of an effective marketing campaign. The management team runs television-based promotional campaigns throughout the year. It has also developed an app for iPhone and Android devices to help customers explore all the current offers. In addition, the company website has a "Press Release" section which shares news and sales promotions to the public.

Financial information relating to Way Market is shown in **Table 1** below.

Table 1: Financial information relating to Way Market Ltd

Profitability	2021	2022
Gross profit percentage	24.6%	36%
Net profit percentage	3.2%	5.8%
Return on capital employed	5.7%	9.6%
Liquidity		
Current ratio	1.3:1	1.7:1
Gearing ratio	41%	60%
Shareholders' returns		
Earnings per share	£0.10	£0.46

Using the information provided and your own knowledge and understanding, answer all five questions. Show your workings as appropriate.

- 1 (a) Using the case study information, explain **one** barrier to effective communication. [4]

(b) Explain any **two** internal economies of scale that Way Market Ltd might benefit from. [6]
- 2 Evaluate the usefulness of a mission statement to Way Market Ltd. [15]
- 3 Evaluate the implications for Way Market Ltd of having growth as a business objective. [20]
- 4 Evaluate the People and Planet elements of Elkington's Triple Bottom Line Model to help Way Market Ltd's organisational performance. [20]
- 5 Evaluate the performance of Way Market Ltd for the period 2021 to 2022, using the ratios from **Table 1**. [25]

THIS IS THE END OF THE QUESTION PAPER

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