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Surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Business Studies

International Advanced Level
Unit 3: Strategic Business Decisions

Wednesday 20 January 2016 – Morning
Time: 2 hours

Paper Reference
WBS03/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- Questions labelled with an **asterisk** (*) are ones where the quality of your written communication will be assessed
  – *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Answer ALL the questions in this section. Write your answers in the spaces provided.

You should spend 60 minutes on this section.

Evidence A

Tesco plc

Tesco plc is engaged in retailing and associated activities in the United Kingdom, China, the Czech Republic, Hungary, the Republic of Ireland, India, Malaysia, Poland, Slovakia, South Korea, Thailand and Turkey. *Tesco* also provides retail banking and insurance services through its subsidiary, *Tesco Bank*. In the United Kingdom, *Tesco* has over 3,000 stores. Its traditional supermarkets are complemented by a small number of specialised e-commerce stores, which allows *Tesco* to respond to customer demand. *Tesco*'s 'Click & Collect' service is a part of its multi-channel offering and enables customers to pick up their shopping when and where it suits them. *Tesco* has over 1,500 'Click & Collect' service points for general merchandise and over 150 'Grocery Drive-thrus' in the United Kingdom.

(Source: adapted from http://uk.reuters.com/business/quotes/companyProfile?symbol=TSCO.L)

Evidence B

***Tesco* at a glance – Highlights – Part of Annual Review 2013**

As one of the world's largest retailers, with over 530,000 employees throughout the world, we serve millions of customers a week in our stores and online.

Group revenue: £72.4bn	Group revenue growth: +1.3%	Group profit before tax: £2.0bn

(Source: adapted from http://www.tescoplc.com/index.asp?pageid=658)

Evidence C

***Tesco* Values**

We don't just have mission statements, values and promises that are written somewhere and left to gather dust. We live and breathe them. Our core purpose is to "create value for customers to earn their lifetime loyalty".

(Source: adapted from http://www.tescocustomerservice-careers.com/page.cfm/content/our-values-and-promises/)

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Evidence D

***Tesco* News Releases**

Stories written by the business or its public relations representatives and issued to the press and other media in early 2014.

- 1 May 2014 *Tesco* wins top award for cutting carbon emissions
- 30 April 2014 *Tesco* transforms its homeware range with the launch of its new GM* spring/summer collections and a new design team
- 22 April 2014 Major savings for customers as *Tesco* cuts more food prices and slashes online shopping charges
- 13 April 2014 *F&F*** announces new global partnership in the USA
- 2 April 2014 *Tesco* increases milk price paid to farmers
- 24 March 2014 Recyclable packaging that will save over 1 million wasted eggs each year
- 21 March 2014 *Tesco* confirms Joint Venture with *Tata* in India
- 12 March 2014 *Tesco* launches a fuel saving scheme
- 3 March 2014 *Tesco* employees and customers raise £10 million for Diabetes UK
- 3 March 2014 *Tesco* announces new lower retail price for milk
- 27 January 2014 One million children to learn about where food comes from
- 6 January 2014 *Tesco* launches new 'healthy living' brand

Notes

* GM stands for General Merchandise and is the sub-brand used by *Tesco* for a range of homeware products.

** The *F&F* brand is owned by *Tesco*. Launched in the UK and ROI in 2001, *F&F* is now a truly global fashion brand with stores in 21 countries.

(Source: adapted from http://www.tescoplc.com/index.asp?pageid=188&newscategory=all&year=2014)

Evidence E

UK grocers' results expose challenges facing the high street

Clive Black, analyst at Shore Capital, says there is a general move away from big supermarket chains towards other food retailers, whether this is the hard discounters, or local butchers and bakers. "The big message from this is Britain has fallen out of love with the big supermarket chains," he says. "The big four supermarkets (*Tesco*, *Sainsburys*, *ASDA*, *Morrison*) have all sleepwalked into trying to deliver value in a tough consumer environment by running promotions," he says. Consequently, customers have turned to *Aldi* and *Lidl* (discount chains), with consistently low prices but narrower ranges, and have also been pleasantly surprised at the quality of their products.

(Source: adapted from http://www.ft.com/cms/s/0/417783ec-794b-11e3-b381-00144feabdc0.html#axzz31WBmbZTP, © 2014 Financial Times)

1 (a) What is meant by the term customer demand? (Evidence A, line 8)

(2)

(b) What is meant by the term employees? (Evidence B, line 1)

(2)

(Total for Question 1 = 4 marks)

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Under '*Tesco* Values', the business states that its core purpose is to "create value for customers to earn their lifetime loyalty".

2 Explain why customer loyalty is more likely to be important to *Tesco*.

(Total for Question 2 = 6 marks)

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3 Analyse **two** corporate objectives that *Tesco* is trying to establish in its news releases. (Evidence D)

(Total for Question 3 = 8 marks)

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Tesco is involved in a wide range of businesses across different continents and will have many options for investment.

4 Assess the usefulness of investment appraisal techniques to *Tesco*.

(10)

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(Total for Question 4 = 10 marks)

Tesco, a UK-based business, has over 530,000 employees worldwide.

***5** Assess the extent to which *Tesco*'s corporate culture can have an impact on all of its employees.

(12)

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(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

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SECTION B

Answer ALL questions in this section. Write your answers in the spaces provided.

You should spend 60 minutes on this section.

Evidence F

***Tesco* confirms joint venture with CRE in China**



Tesco confirmed today it is entering a joint venture with China Resource Enterprise (CRE), which will see its Chinese stores combined with CRE's *Vanguard* business.

Tesco will pay £345m to form the joint venture, in which it will take a 20% stake.

The UK retailer said the new venture would have sales nearing £10bn and would combine the best of *Tesco*'s retail expertise with CRE's local knowledge.

Tesco and CRE first revealed their intention to merge their operations in China in August, as the UK retailer looks to reorganise its international operations. This morning, *Tesco* revealed sliding profits in its European and Asian businesses, while earlier this week it put its US chain *Fresh & Easy* into bankruptcy to clear the way for its sale to private equity firm *Yucaipa*.

Tesco's China operation comprises 134 stores in 11 provinces. Its losses before tax for the year ending February 2013 were £222m. CRE's *Vanguard* stores number 2,986 and its profits after tax for the year ending 31 December were £22.7m.

(Source: adapted from http://www.thegrocer.co.uk/companies/supermarkets/tesco/tesco-confirms-joint-venture-with-cre-in-china/350054.article, © 2014, The Grocer)

Evidence G

***Tesco* China**

China has already overtaken the United States as the world's biggest food and grocery market, with a population of 1.4 billion, according to research.

The Chinese retail sector is undergoing massive changes as living standards continue to improve and consumer buying habits and attitudes start to change. While price and value are important in consumer buying habits, reports suggest that a growing number of consumers are starting to choose brands that personalise their products to suit customer needs.

Reports also highlight the fact that changing consumer lifestyles lead to higher consumer expenditure – as the Chinese get busier, for example, they are buying more ready-to-eat food to save time. They also seem increasingly health conscious; eating less fried food or Western-style fast food. Many are starting to live a greener lifestyle and the same research revealed that 44% of Chinese respondents said that they were willing to pay more for products that are good for the environment.

(Source: adapted from http://www.tescoplc.com/index.asp?pageid=288)

Evidence H

***Tesco* revenue and the average number of employees UK and Asia 2010–2013**

	2010	2011	2012	2013
Revenue UK £m	39 104	40 766	42 803	43 579
Employees	196,604	200,966	205,852	213,304
Labour productivity £				
Revenue Asia £m	8 465	9 802	10 828	11 479
Employees	89,310	94,141	108,149	115,499
Labour productivity £				

(Source: adapted from *Tesco PLC* Annual Report and Financial Statements 2013, 2012 and 2011)

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***6** Evaluate the importance of labour productivity figures for the UK and Asia and their implications for *Tesco*. (Evidence H)

(20)

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(Total for Question 6 = 20 marks)

***7** Evaluate the usefulness to *Tesco* in forming a joint venture with CRE's *Vanguard*.

(20)

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(Total for Question 7 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS