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Pearson Edexcel
International
Advanced Level

Centre Number | | | | | |

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Business Studies

International Advanced Level

Unit 3: Strategic Business Decisions

Tuesday 24 October 2017 – Afternoon
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 in Section A and Section B.
- 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.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators may be used.

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.

You should spend 60 minutes on this section.

Evidence A: *Wilkin & Sons Ltd*



Wilkin & Sons has been in existence in Tiptree, Essex in the UK since 1885, predominantly manufacturing jams, marmalades and preserves. Over the years other products have gradually been added to a growing and diversified range. The factory produces jam on several production lines, from the larger 340g and 454g jars through to the miniature 42g jars often found on hotel breakfast tables.

In addition to the factory site, the business also owns around 283 hectares of farmland which is used for growing strawberries and other soft fruits, as well as a plum orchard. Revenue exceeded £36m in 2014, and the business employs over 250 full-time staff with many more during the fruit picking season.

About 70% of output is for the UK market and the rest is exported to around 65 countries. Customers include the major supermarkets as well as famous names such as British Airways First Class and many exclusive international hotels.

Wilkin & Sons also operates six tea rooms (traditional cafes) in Essex, a specialist bakery and patisserie producer, and sells fresh fruit grown on the Tiptree farm. The Tiptree Visitor Centre features a tea room, shop, and a museum about the company's history, jam-making and village life.

(Sources: adapted from © Crown Computing Limited and © 2017 Wilkin & Sons Ltd of Tiptree)

Evidence B: Crown Workforce Management Systems Case Study

Wilkin & Sons of Tiptree, was using a simple, spreadsheet-based system to record employee information, such as hours worked, absences and holidays.

After years of steady expansion, the company's management found that, with around 370 employees, the administration had outgrown this simple system. It had become increasingly difficult to get any useful data from it.

Solution

Wilkin & Sons purchased *Crown Computing*'s Open Options™ a fully integrated, computer-based system to bring the management of its employee information up to date. Stephen Cook, *Wilkin & Sons*' HR Manager, says: "The benefits of using this new system are considerable. It gives us the flexibility to meet our business needs as well as being able to grow with the company. Open Options™ allows managers to track absenteeism accurately and effectively and therefore allows us to maximise labour productivity. Previously we had two employees working on employee information, by implementing this system we were able to reduce that number to one."

(Source: adapted from © Crown Computing Limited)

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Evidence C: Tiptree jam maker *Wilkin & Sons* plans expansion

June 2012

Wilkin & Sons told Food Manufacture magazine that it had outgrown its existing base in Factory Hill in the village of Tiptree, Essex, parts of which are more than 100 years old. The factory is currently working 24 hours a day, 7 days a week to keep up with demand, with sales up 19% year-on-year.

Wilkin & Sons wants to use land bordering the existing site for a new £15m factory building, although it has considered other options including a move from its historic base of Tiptree.

The business hoped to part-fund the new factory by obtaining permission to build up to 250 homes on the existing factory site. If the plans are approved, *Wilkin & Sons* hopes to start building the new factory in 2014.

(Source: adapted from © William Reed Business Media SAS)

Evidence D: *Wilkin & Sons* confirms it is abandoning new Tiptree factory plans

September 2015

After years of planning, *Wilkin & Sons* has today confirmed it will not be going ahead with plans for a new factory in Tiptree.

Ian Thurgood, joint managing director, said: "The next step will be to determine how we can continue developing our business without the significant advantages of the new building. The staff have been reassured there will be no redundancies, and the jam manufacturing and fruit growing parts of the business will remain in Tiptree."

(Source: adapted from © Archant Community Media Ltd)

Evidence E: *Wilkin & Sons* in top 50 fastest growing food & drink companies

Figures released in The Grocer magazine placed *Wilkin & Sons Ltd*, in the UK's top 50 fastest growing independent food and drink companies, based on figures over a 3-year period. "Increasing market share through organic growth in UK and overseas markets is key to the continuing success of the business and we are delighted to appear in the top 50 fastest growing independent businesses for the first time," said Scott Goodfellow, sales director of *Wilkin & Sons*.

(Source: adapted from © 2017 Wilkin & Sons Ltd of Tiptree)

1 (a) What is meant by the term labour productivity? (Evidence B, line 13)

(2)

(b) What is meant by the term redundancies? (Evidence D, line 7)

(2)

(Total for Question 1 = 4 marks)

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2 *Wilkin & Sons* introduced a new, computer-based system to bring the management of its employee information up to date. (Evidence B)

Explain how this could affect the competitiveness of the business.

(Total for Question 2 = 6 marks)

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3 In 2016, after over 150 years of specialising in making jam and food products, *Wilkin & Sons* launched a range of scented candles and incense-like reed diffusers, which perfume a room with the scent of fruit grown on the Tiptree farm.

Using Ansoff's Matrix analyse the strategy behind this decision.

(Total for Question 3 = 8 marks)

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QUESTION 4 BEGINS ON THE NEXT PAGE.

4 "Increasing market share through organic growth in UK and overseas markets is key to the continuing success of the business…" (Evidence E)

Assess this claim.

(10)

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(Total for Question 4 = 10 marks)

5 Assess the impact on *Wilkin & Sons* of its strategic decision not to build a new factory. (Evidence C and D)

(12)

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(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence F: Simplified Financial Information – *Wilkin & Sons Ltd*

Extracts from statement of financial position

All figures £'000	**2014**	**2013**
Current Assets	14 276	12 832
(of which inventory)	6 684	6 490
Current Liabilities	4 643	3 793
Non-Current Assets	8 362	7 410
Non-Current Liabilities	1 025	1 025
Capital Employed	17 995	16 449

Extracts from statement of comprehensive income

All figures £'000	**2014**	**2013**
Revenue	36 719	35 613
Cost of Sales	28 955	28 225
Gross Profit	7 764	7 388
Operating Expenses	6 297	6 795
Operating Profit for the Year (Loss)	1 467	593

(Source: adapted from Wilkin & Sons Limited and its subsidiaries report and consolidated financial statements for the year ended 31 December 2014 © Market Footprint Ltd)

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Evidence G: *Wilkin & Sons Ltd*

Chairman's Statement

For the year ended 31 December 2014

There was a significant improvement in our financial performance in 2014, mainly thanks to far better results from our farm and bakeries.

The directors have long believed in the importance of diversification as a means of managing short and long term risks, both in supply (such as adverse weather affecting our fruit crops) as well as in demand (such as changes in consumer taste). As a consequence of a policy of 'not having all our eggs in one basket' we now operate in both the manufacturing and service sectors of the economy, as well as running our own fruit farm. However, we have deliberately restricted ourselves to enterprises that are complementary to our main business in the belief that this is where our expertise lies. In keeping with this approach we have opened more tea rooms, one in 2014 and another in 2015.

(Source: adapted from Wilkin & Sons Limited and its subsidiaries report and consolidated financial statements for the year ended 31 December 2014 © Market Footprint Ltd)





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6 Evaluate the extent to which ratio analysis can be used to judge the performance of *Wilkin & Sons* in 2013 and 2014.

(20)

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(Total for Question 6 = 20 marks)

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7 Evaluate the corporate strategy as outlined in the chairman's statement. (Evidence G)

(20)

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(Total for Question 7 = 20 marks)

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

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