

PRACTICE EXAM PAPER

# AQA A Level Business

**Question Paper**

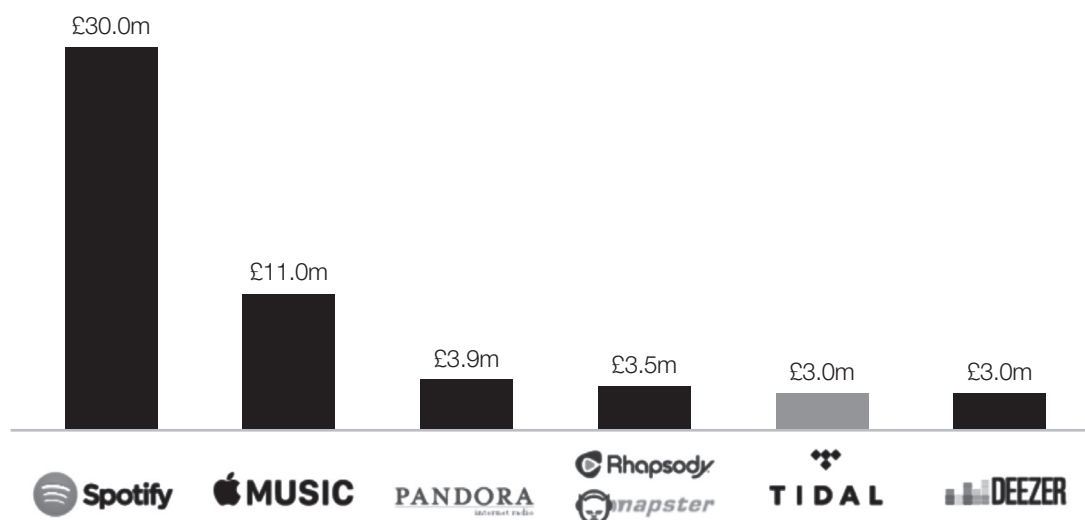
Paper 2

Business 2

**Figure 2** Subscribers to music streaming providers

## Where Tidal Stands 12 Months After Its Relaunch

Worldwide paid subscribers of music streaming services



Source: Statista

### Tidal

One year ago today, Jay Z assembled some of the world's most famous music artists in New York to announce the relaunch of Tidal, the music streaming service he had acquired a few weeks earlier. Tidal, backed by industry heavyweights such as Madonna, Kanye West, Coldplay and Beyoncé, set out to “re-establish the value of music” and “change the course of music history”.

It wasn't until earlier this year though that Tidal really started making waves. In late January, Rihanna premiered her new album “Anti” exclusively on Tidal - albeit to limited success. However it was Kanye West who really gave Tidal a long-awaited boost in subscriptions. The long-time Jay Z confidant released his highly anticipated album “The Life of Pablo” exclusively on Tidal and made a point in saying that it would never be available anywhere else. West's album undoubtedly convinced many fans to subscribe to Tidal (the album was streamed 250 million times in its first ten days), but it remains unclear how many of them stuck with the service after the free trial period expired.

## Question 2

ANSWER ALL QUESTIONS IN THIS SECTION

**Total for this section: 31 marks**

### 02 Sainsbury's bid to takeover Argos

#### **In March 2016 Sainsbury's bid £1.4bn to acquire Home Retail Group (HRG), the owners of Argos.**

In a statement, Sainsbury's chairman David Tyler said: "The UK grocery retail industry is undergoing a period of intense change in customer shopping and in the competitive environment."

"This combination with HRG presents an opportunity to accelerate our strategy, delivering compelling revenue and cost synergies. We will create a multi-product, multi-channel proposition with fast delivery networks that we believe will be very attractive to the customers of both businesses."

Sainsbury's consider that taking over Argos would help it to boost sales growth, improve its delivery networks, and mean they could sell their products to each other's customers.

The supermarket says the leases of around half of Argos' 734 stores across the UK are due for renewal over the next four to five years, and it is believed to have identified between 150 and 200 high street stores which it could shut and move into a nearby Sainsbury's store.

Analysts believe that the main attraction to Sainsbury's is Argos' extensive distribution system, wide range of products and expertise in digital retailing. The combined business would enable customers to choose from more than 50,000 products and be able to collect them from 2,000 outlets within four hours.

The move is seen as a strategic response to the continuing threat from budget supermarkets such as Aldi and Lidl, who have taken market share from Sainsbury's, as well as Amazon's entry into the groceries market with its 'Amazon Pantry' service.

The proposed takeover has been criticised by trade unions who fear job losses as a result of the intention to close 200 Argos stores. Furthermore the Competition and Markets Authority will determine whether the takeover could result in "a substantial lessening of competition" for consumers.

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**02.1** Explain **one** reason why the Competition and Markets Authority maybe concerned that the proposed takeover could result in “a substantial lessening of competition” for consumers.

**(6 marks)**

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# Question 3

ANSWER ALL QUESTIONS IN THIS SECTION

**Total for this section: 34 marks**

## 03 Nissan invests £100m in Sunderland plan

### **Japanese carmaker Nissan has announced it will invest £100m in its UK plant to build the new Juke model.**

Launched in 2011, the Nissan Juke created a whole new segment in the market and spawned a breed of supermini-based sports utility vehicles, including the Vauxhall Mokka, Peugeot 2008 and Renault Captur.

Thanks to its dramatic design and advanced technology, the Juke has become the market leader of this sector. The Juke's combination of highly individual styling, strong driving dynamics and sophisticated interior equipment has allowed it to storm from zero to 500,000 sales since its launch, easily eclipsing its rivals. Significantly for Nissan, the Juke has attracted a huge number of buyers who are new to the brand. As much as 82 per cent of sales have been to first-time Nissan owners.

Now, following Nissan's established practice of constant development, the new Juke benefits from a series of design enhancements, new engines and technologies and a wide-ranging personalisation programme.

Nissan currently produce a range of cars that appeal to different types of consumers such as the Qashqai, Note and electric Leaf models and this investment will secure thousands of jobs at the Sunderland factory. The plant made 500,000 cars last year, making it the biggest car plant in the UK, according to Nissan.

#### **Global market 'turbulent'**

Nissan Europe chairman, Paul Wilcox, claimed that the plant was "probably the most productive in Europe and, I'd argue, globally". Workers at the factory are highly skilled and motivated. Nissan places great emphasis on job design, through the use of lean production techniques such as kaizen and Total Quality Management (TQM).

He added that although demand in Russia and China was slowing, the car market in Western Europe was "very good and improving, and the market in the UK is very, very good".

"We are not getting carried away as the global market is turbulent, but we are seeing slight growth in demand."

UK car production in the first half of 2015 hit a seven-year high of 793,642 cars - the equivalent of three cars every minute.

This was the highest production since 2008, the year of the financial crisis that sparked a deep recession in the UK.

**06** Brompton has a strategy of international expansion. Do you think that in today's business environment the strategy of businesses should be emergent rather than planned?

(24 marks)

Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 9

Level	The candidate will typically demonstrate:	Marks
<b>5</b>	<p><b>An excellent response overall that is fully focused on the key demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>➔ demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>➔ demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>➔ makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout</li> </ul>	<b>21-24 marks</b>
<b>4</b>	<p><b>A good response overall that focuses on many of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>➔ demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>➔ demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>➔ makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole</li> </ul>	<b>16-20 marks</b>
<b>3</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>➔ demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>➔ demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>➔ makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole</li> </ul>	<b>10-15 marks</b>
<b>2</b>	<p><b>A limited response overall with little focus on the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>➔ demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>➔ demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>➔ makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole</li> </ul>	<b>5-9 marks</b>

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# Source 1

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## Brompton Bikes

### Introduction

Brompton Bikes is one of the success stories of UK manufacturing. Established in 1976 by its founder Andrew Ritchie, the bike's unique design, which enables it to be folded and carried, quickly attracted a niche market of cycling enthusiasts.

As the business expanded, Andrew Ritchie realised that he needed more business expertise in order to manage Brompton Bikes development. Will Butler Adams, a design engineer, joined the business in 2002 and was promoted to Chief Executive in 2008. Under his leadership Brompton Bikes has gone from strength to strength. In 2002, the company employed 24 staff that produced 7,000 bikes generating a sales turnover of £1.7 million. By 2015, the workforce had risen to 230, production increased to 50,000 bikes and sales turnover grew to £28 million. Brompton Bikes sells to 44 countries and 80% of its bikes are exported. Foreign customers are happy to pay around £1,000 for each bike (the industry average is £350), because of the 'made in Britain' brand reputation for high quality. The company has stores in cities in the Netherlands, Italy, Germany, Thailand and China, as well as in London.

### Growing pains

The success of Brompton Bikes is due to Will Butler Adam's drive and vision combined with Andrew Ritchie's unique bike design. Adam spotted the opportunity to target city dwellers, who wanted an alternative to public transport in order to avoid traffic congestion. As a result of the bike's popularity, the business has recently moved to a larger, purpose built factory in London.

However the rapid growth of the business has at times created tension between Ritchie and Adams. There was a reluctance by Ritchie to hand over the responsibility to Adams for running the business. "I had to do things he'd find difficult," Adams says. "I wanted to grow faster and become more aggressive with how we communicated with customers. Andrew designed a bike for himself and so he doesn't see the need to do a lot of these things."

Despite their disagreements, both men appreciate the importance of what each other contributes to Brompton Bike's success. To quote Will Butler Adams: "He's cantankerous and eccentric but you don't get to make a difference if you are a shrinking violet. Andrew deserves a lot of credit for the way he's let go. It's by no means perfect, but I have huge respect for Andrew and on good days, I'm sure he has respect for me."

Brompton Bikes is a private limited company. The shares are owned by Andrew Ritchie, Will Butler Adams, the employees, family and friends.