



GCE A LEVEL – **NEW**

A510U30-1



S17-A510U30-1



BUSINESS – A level component 3
Business in a Changing World

FRIDAY, 23 JUNE 2017 – AFTERNOON

2 hours 15 minutes

ADDITIONAL MATERIALS

A WJEC pink 16-page answer booklet.
A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.
Answer **all** questions in Section A.
Answer **one** question from Section B.
You are advised to spend no more than:
• 80 minutes on Section A
• 55 minutes on Section B

Write your answers in the separate answer booklet provided.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.
You are reminded of the need for good English and orderly, clear presentation in your answers.

SECTION A

Answer all the questions in this section.

1. Read the information below and answer the questions that follow.

JD Sports

JD Sports Fashion Plc is a leading UK retailer of fashionable branded sports and casual wear. It now has well over 800 stores. Its first shop, John David Sports, was opened in 1981 in Bury, Lancashire. Throughout the 1980s the business expanded with further openings, largely in the North and Midlands. The first London store was opened in Oxford Street in 1989. By the time of JD's stock market flotation in 1996 there were 56 stores. Maximum advantage was being taken from the growth in sales of international sports brands such as Adidas, Nike, Reebok and Puma and the trend to wear sportswear more and more in everyday life rather than largely on sports fields.



JD's business continued to grow organically until 2002 at which time it acquired 200 stores from First Sport and then, in 2005, it purchased over 70 stores from Allsports. In 2009 JD acquired 75 small stores in France and in 2010 it acquired Champion Sports which has 23 stores in Ireland and a 50.1% share of Sprinter which has 47 stores in Spain. In 2012 the JD Group acquired the trade and assets of Blacks Leisure Group Plc, the outdoor leisure specialists, with 290 stores trading under the names Blacks and Millets.

An article from the Times newspaper.

Under the headline "JD Sports increases profit in face of competition" a recent article in the Times newspaper had the following to say:

Healthy demand for sports shoes from fitness-crazy shoppers helped JD Sports deliver profits of over £90 million for the first time in its 34-year history. Peter Cowgill, JD Sports' executive chairman, cited the growth of national gym chains, plus television programmes focused on health and wellbeing, as reasons for the steadily rising popularity of trainers and sportswear. "It's cooler, it's a more acceptable method of dress and I think people find it more comfortable," Mr Cowgill said. "It's a very encouraging pattern for us."

JD Sports opened 58 stores during 2015, including 19 outlets overseas. Mr Cowgill said that he was aiming for further gradual expansion in France, Germany, Spain and the Netherlands.

Freddie George, an investment analyst, upgraded his forecast for 2016 profits and expressed high hopes for international expansion. "We expect further restructuring to enable the company to focus on developing the JD brand overseas" he said. Another retail expert, Andrew Hall, said that JD Sports had a "reputation for quality in an industry increasingly under scrutiny from regulators and consumers".

Source: Adapted from the Times 16 April 2015

JD Sports' strategy

According to the company's Annual Report JD has the following strategy:

"We will sustain our market positions through ongoing investment and the acquisition of brands and retailers which we can develop and exploit to ensure our overall product offers remain uniquely appealing. In working towards these objectives we aim to act always in a responsible and ethical manner with all our stakeholders including suppliers, employees and of course our customers.

Our ultimate objective is to deliver long term sustainable earnings growth to enhance total shareholder returns through share price performance and dividends.

New technology

Multichannel activity has continued to grow significantly over the last 12 months and we continue to make good progress towards our objective of becoming a cutting edge international multichannel retailer. Last year multichannel sales represented 9.9% of JD's overall sales.

In the UK, we have seen significant growth in online sales, principally driven by the strengthening of our mobile offer. Our digital channels continue to be important research destinations for our customers and there has been substantial growth in sales from our instore digital devices (kiosks, web tills and iPads), both through increased adoption of existing ones by customers and through the roll out of additional devices. These enable customers to order products from the website but pay in cash, access extended ranges not available in the store and access our full warehouse stock inventory. We have also introduced a system which enables customers to order from our digital channels and collect the product from any store within our group.

Overseas, we have rolled out a full local language and local currency multichannel offer (website, mobile site, apps, instore devices, delivery to home and store) to Ireland, the Netherlands, France, Spain and Germany. We expect to grow these markets to be significant contributors in the future."

Risks

These are some of the risks that the company has identified:

Brands – JD Sports sells a mixture of third party (e.g. Nike and Adidas) and own brand products. The company's success is heavily dependent on the products and the brands themselves being desirable to the customer.

Seasonality – the company's core retail business is highly seasonal. Historically, the company's most important trading period in terms of sales, profitability and cash flow has been the Christmas season. Lower than expected performance in this period may have an adverse impact on results for the full year.

Economic factors – as with other retailers and distributors into retail businesses, the demand for the company's products is influenced by a number of economic factors, notably interest rates, exchange rates, the availability of consumer credit, employment levels and ultimately, disposable incomes.

Warehouse operations – the company’s new warehouse in Rochdale became operational during 2012. Having the stock in one location with increased automation in the picking process has brought benefits in terms of capacity, product availability, quicker deliveries to its European stores and reduced transport costs. However, there is an increased risk to store replenishment and multichannel fulfillment from both equipment and system failure, together with the risk of having all the stock in one location.

Extracts from JD Sports Fashion Plc, Trading, Profit and Loss account (Income Statement) for the 52 weeks ended 31 January

	2015 £m	2014 £m
Sales Revenue	1 552	1 216
Less Cost of Sales	813	624
Gross Profit	739	592
Less Expenses	647	514
Net (operating) Profit	92	78

JD Sports Fashion Plc Balance Sheet as at 31 January

	2015 £m	2014 £m
Fixed Assets	282	270
Current Assets	400 (including stock of 225)	330 (including stock of 186)
Current Liabilities	327	286
Long-term Liabilities	45	41
Total Shareholders' Funds	310	273

- (a) Analyse the importance of new technology to JD Sports Fashion Plc’s success. [8]
- (b) Calculate the net profit margin, acid test and gearing ratios for 2014 and 2015 and use them to assess the financial performance of JD Sports Fashion Plc. [10]
- (c) Evaluate the ways that JD Sports Fashion Plc can respond to the risks that are facing the business. [10]
- (d) Discuss the advantages to JD Sports Fashion Plc of growing the business by acquisition rather than by organic growth. [12]
- (e) Evaluate the strategy of expanding in overseas markets for a business such as JD Sports Fashion Plc. [10]

SECTION B

Answer one question from this section.

2. Marketing success

- (a) Explain how and why a company that produces chocolate confectionery, such as Cadbury or Mars, might segment its market. [10]
- (b) Discuss, with the use of examples, the view that “businesses that successfully promote their products are likely to be the most profitable”. [20]

3. Managing change

- (a) Explain ways in which small independent high street businesses might best respond to the changes that are likely to affect them in the future. [10]
- (b) “The ability to manage change successfully is the most important aspect of management in today’s business world.” Discuss. [20]

4. Trade benefits

- (a) Explain the possible implications of Brexit (UK withdrawal from the European Union) to the UK car industry. [10]
- (b) Discuss the impact of globalisation on the key stakeholders of UK businesses. [20]

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