Oxford Cambridge and RSA

Friday 26 May 2023 – Afternoon

AS Level Business

H031/02 The wider business environment

Resource Booklet

Time allowed: 1 hour 30 minutes

9073924425

INSTRUCTIONS
- Use this Resource Booklet to answer the questions in **Section B**.
- Do **not** send this Resource Booklet for marking. Keep it in the centre or recycle it.

INFORMATION
- The business described in this Resource Booklet is a **real** business.
- This document has **4** pages.

ADVICE
- Read this Resource Booklet carefully **before** you start your answers.

McLaren Group

Extract A – About McLaren Group

McLaren is known for being one of the world's most respected high-technology brands. The McLaren Group includes McLaren Racing, McLaren Automotive and McLaren Applied Technologies. All of the businesses in the McLaren Group are private companies with limited liability.

Since its foundation in 1963, McLaren Racing has been a pioneer and innovator in the competitive world of Formula One motor car racing. McLaren's Formula One team has won more than 180 races.

Building on its success in Formula One, McLaren formed McLaren Automotive, producing high-performance sportscars and luxury supercars for the road car owners who demand the very best.

McLaren Applied Technologies uses technology and insight derived from Formula One to develop products for the motorsport, road car, public transport and health industries.

Despite McLaren Group's broad business interests, the company's goal remains singular: to win in everything they do.

Source: Adapted from https://www.linkedin.com/company/mclaren-group-ltd (accessed on 13/10/20)

Extract B – McLaren Automotive's medium-term aims

McLaren Automotive's medium-term aims up to 2025 are known as 'Track25'. These include:

- Launching 18 new road car models by 2025
- Developing sportscar and supercar ranges which are entirely hybrid
- Evaluating new technology to improve the driving experience
- Evaluating new retail markets for its sportscar and supercar ranges
- Increasing production to 6000 cars a year by the end of 2025

Source: Adapted from https://cars.mclaren.press/en-us/releases/596 (accessed on 13/10/20)

Extract C – McLaren's road cars

	2019	**2018**
Vehicle sales	4662	4829
Number of employees involved in production	4469	3798

Sources: Vehicle sales taken from https://investors.mclaren.com/sites/mclaren-ir/files/homepage/mclaren-group-investor-presentation-fy2019.pdf (accessed on 13/10/20)
Employee numbers taken from https://investors.mclaren.com/sites/mclaren-ir/files/2020-05/mclaren-group-limited-financial-statements-2019.pdf (accessed on 13/10/20)

Extract D – McLaren Group to cut 1200 jobs

Formula One racing was suspended in the early part of 2020 due to the Covid pandemic. Orders for McLaren's sportscars and supercars also fell. McLaren said it has been "severely affected" by the changes in economic factors. McLaren says it has worked hard to cut costs and avoid redundancies, but job losses are inevitable.

McLaren plans to cut more than a quarter of its workforce after a large reduction in its sales revenue and advertising revenue. Since McLaren Automotive operates from a factory in Woking, Surrey and McLaren Applied Technologies operates in Sheffield, the vast majority of the redundancies will be in the UK.

"We now have no other choice but to reduce the size of our workforce," McLaren Chairman, Paul Walsh, said in a statement.

"This is undoubtedly a challenging time for our company, and particularly our people, but we plan to emerge as an efficient, sustainable business with a clear course for returning to growth."

In addition, McLaren Racing expects to lose about 70 people from its 800-strong workforce. There is also likely to be a second phase of redundancies once the impact of a sport-wide motor car racing team budget restriction is taken into account. This budget restriction will have a significant impact on McLaren's racing team.

Many other motor car racing teams – especially the big ones such as Mercedes, Ferrari and Red Bull – may also have to make redundancies, but there may be other ways for some big car companies to survive, for example moving employees to job roles in other parts of the business.

Source: Adapted from https://www.bbc.co.uk/news/business-52808927 (accessed on 13/10/20)

Extract E – Marketing at McLaren Automotive

McLaren Automotive's gleaming production centre is an inviting space for McLaren customers who come to visit the facility while their car is being built. It is estimated that 60% to 70% of customers visit the facility.

"They like to talk to our engineers," Jim Newton, Market Development Director for McLaren Applied Technologies said. "A lot of our buyers are interested in the technology and engineering of the vehicles as well as what it looks like and how it performs."

If for some reason a customer does not like a 'standard' McLaren, never fear – there are six million possible options for the cars.

While McLaren does take customer feedback into account as it develops new cars, the starting point is always technology. McLaren wants to build the world's best car and trusts there is a market; there are always people who want to buy the world's best car.

Source: Adapted from https://www.industryweek.com/the-economy/article/21963071/mclarens-racinginspired-passion-for-performance (accessed on 13/10/20)

Extract F – Road car production at McLaren Automotive

McLaren has an obsession with performance and continuous improvement, qualities that any world-class manufacturer can appreciate. So, while the factory's spotless production floor looks nice, it also has its practical value.

"It is designed to limit problems with foreign objects. As soon as something is dropped or spilled, it is cleaned up because it is obvious," explained Ben Heatley, Group Corporate Public Relations Manager for McLaren.

Heatley said the manufacturing is much more efficient than in previous years because computer simulation is used to test the parts before they are actually produced. In the past, he said, 90% of the parts produced were discarded because they did not improve performance. Now, only 10% are thrown away.

Unlike its competitors, McLaren does much of its manufacturing by hand, allowing it to keep its investment in production capital low and to provide flexibility. The company, which operates one shift a day, takes about 23 days in total to produce each car.

In McLaren's production centre in 2014, two road car models were being manufactured – the P1 and the new 650S. On the day the 650S was launched, orders for this model exceeded 1000. Those orders pushed the firm's production lead times from about 6 months to 9–12 months. The company worked hard to reduce production lead times to the more usual 6 months.

Source: Adapted from https://www.industryweek.com/the-economy/article/21963071/mclarens-racinginspired-passion-for-performance (accessed on 13/10/20)

NB: *All data was correct at the time of writing*