

## BUSINESS STUDIES GRADE 12

**Time:** 2 hours

**Total marks:** 100

This paper covers the following outcomes for Business Studies:

**LO1:** Business environments

**LO2:** Business ventures

**LO3:** Business roles

**LO4:** Business operations

### INSTRUCTIONS:

1. This paper consists of TWO questions.
2. You are required to answer BOTH questions.
3. Read the case study and answer the questions carefully.
4. Plan the length of your answers in relation to the marks allocated. Take time to plan answers. E.g. 30 minutes planning and 90 minutes writing.
5. Use your own words and insight when answering questions.
6. Neatness and systematic presentation of facts is essential.
7. It is in your own interest to write legibly and present work neatly.

**GOOD LUCK!**

**NAME:**

### CASE STUDY: McCain – Challenges in the external environment

#### Introduction:

Businesses have a number of objectives. Typical examples include:

- winning the biggest share of the total market
  - increasing sales
  - satisfying customers
  - making profits for shareholders
- A business' ability to meet these objectives depends on two main groups of factors:
- the internal strengths of the organisation – for example being able to make the right products in an efficient way
  - being able to identify external influences in the business environment and on its consumers and adapt accordingly.

The business environment is changing fast. This case study shows how McCain needs to identify changes in the market environment. It must then rise to the challenges posed by change.

#### McCain's business:

The McCain product most people recognise is oven chips. McCain is the world's largest producer of chips, but many other companies are producing similar products. McCain buys 12% of the British potato crop. McCain is also one of the world's largest frozen food companies. McCain is a private company with a strong market focus. This means that it carries out research to find out what consumers want. It then uses this market information to create products that consumers want to buy. McCain are very aware of customers changing demands, and the trend toward healthier alternatives. McCain's business is broader than just chips, with a range as wide as frozen potato specialities and frozen light meals. It provides consumers with a wide variety of cut and seasoned potato products through UK retailers, like supermarkets and restaurants. These include roast potatoes, potato wedges and potato croquettes. McCain produces more specific potato shapes like Potato Smiles, Crispy Bites and Sumthings (shaped as numbers) which appeal to younger customers. McCain also makes pizzas. If asked to name a typically English dish, most people would say 'fish and chips'. Chips are produced in lots of different shapes and sizes, ranging from those deep-fried in fish and chips shops to McCain's 5% fat Oven Chips.

The company has been affected by many variables such as surging food prices, potato shortages, fuel shortages, increasing inflation and increased competition resulting in threatened market – to name but a few challenges...

*Adapted from [www.thetimes.co.uk](http://www.thetimes.co.uk)*

### QUESTION 1

#### FOCUS TOPICS

You, together with a team of experts, are required to implement appropriate strategies to deal with influences from the market environment. Use Porter's Five Force Model as a guideline as you address these issues, making specific reference to the case study.

The Marketing Manager has also requested that you demonstrate how you would approach a complex problem, such as a supplier not delivering fresh produce timeously, using a 'DRIVE' Technique and a Drill Down Analysis. You are required to report back in a letter addressed to Mr. Spud, the Marketing Manager of McCain. You must include diagrams to assist in demonstrating how these techniques could be used to respond to the challenge described.

### QUESTION 2

#### FOCUS TOPICS

Grant Andrews is the union representative for the employees at McCain. The human resources manager, Tumi Khumalo, tells Grant that the business can only afford a pay rise of 9% this year, which equals the current rate of inflation. (which seems to be constantly rising!) The employee themselves have asked for a 13% pay rise. The average pay increase in this sector is 10%. Grant puts the 9% offer to the employees and it is rejected outright. Tumi then suggests to Grant that the two sides approach an independent arbitrator to resolve the matter, rather than risk a possible dispute. Grant agrees and decides to prepare a report to take to the arbitration hearing. In his report, Grant must outline the advantages and disadvantages of the three possible outcomes: a 9%, 10% or 13% pay rise settlement. Although productivity at McCain is high, recent changes in technology and increases in other production costs, have made several employees redundant. Grant has to be careful not to put his members' job security at risk.

1. Prepare a report for Grant to present to the arbitrator. Your report should focus on the arguments for and against the 9%, 10% and 13% pay increases.

Conclude your report by recommending one of the three different pay increases. Motivate your final decision.

2. As a service to employees, Mc Cain has arranged for you, in your capacity as an Investment Specialist, to advise employees on how to 'make their money work for them'. Produce a mind map illustrating the various investment opportunities available.

Prepare a supporting document detailing the risks involved in any 3 of the opportunities mentioned, and explain what strategies could be implemented to minimise these risks.