



GCE A LEVEL

A510U30-1



MONDAY, 18 OCTOBER 2021 – MORNING

BUSINESS – A level component 3
Business in a Changing World

2 hours 15 minutes

A510U301
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ADDITIONAL MATERIALS

A WJEC pink 16-page answer booklet.

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.

Debenhams

History

Debenhams began in 1778 when William Clarke established a store in London selling fabrics and clothing. The business prospered and in 1905 was incorporated to become Debenhams Ltd.

- 5 The company continued to grow and in 1928 it changed its legal structure again, becoming a public limited company. Success continued and by 1950 Debenhams was the largest department store group in the UK. By the early 2000s, Debenhams had 240 stores in 27 countries with online shopping in more than 90 countries. However, competition and online sales were about to prompt many changes to Debenhams.

10 **The changing high street**

- In 2013, Debenhams asked some of its suppliers for a discount of 2.5% off their prices. Debenhams said it was normal practice for retailers to ask suppliers for discounts. However, this request seemed to come at unusually short-notice and just before the peak Christmas shopping period. At the same time, Debenhams had been upgrading and modernising stores, as well as opening new ones. Debenhams stated that its growth plans would “mutually benefit” the business and its suppliers and that suppliers should see this as a commitment to Debenhams’ on-going investment.

- However, Debenhams recognised the importance of being cautious about the strength and pace of economic recovery during 2014 and expected the marketplace to remain highly competitive. The need for caution was confirmed in the next few years as shoppers increasingly turned to online retailers.

The turnaround strategy

- In 2016, Debenhams’ new chief executive, Sergio Bucher, formerly of Amazon, was appointed to shake up the business. Soon after, Debenhams unveiled its turnaround strategy aiming to boost its appeal as a “destination” shop and improve its online service. Mr Bucher said its customers were changing the way they shopped and therefore Debenhams was also changing. “We will be a destination for social shopping” with mobile technology acting as a further platform for interactions with customers.

- Debenhams said that leisure activities accounted for an increasing share of consumer spending and that the leisure experience is an important part of shopping, while mobile interaction was growing fast. In an effort to capture this market, Debenhams planned to increase investment in its in-store cafes, restaurants and beauty services.

- Another consideration of the turnaround strategy was the potential closure of 10 of its least profitable 176 UK stores over the next five years. A central distribution warehouse and 10 smaller warehouses were also targeted for closure. Retail analyst, Steve Dresser, said it would be difficult for Debenhams to make its new strategy work. “Without a core reason to visit Debenhams, or a point of difference, footfall and sales will fall, which in turn impacts profitability.” Although the popularity of shopping centre locations should overcome footfall concerns, rent is often expensive.

40 **Fit for the future**

In 2017, Debenhams reported it had no loss-making stores in its 176 UK stores and many were highly profitable. However, Debenhams wanted to “ensure they are fit for the future” and the layout of stores would be updated with attractive product displays to raise the profitability of stores. Shortly after this announcement, Debenhams began “decluttering” its stores by reducing the number of product lines for sale. It also planned the redeployment of around 2 000 backroom staff to positions involving direct contact with customers. Debenhams also planned to open four new shops in the UK in potentially more profitable locations. In addition, Debenhams planned to leave some international markets. Debenhams explained that this was a strategy about growth, not job losses, and that the plans should lead to the creation of more jobs.

50 **Heads will roll**

In February 2018, Debenhams announced plans to cut 320 store management jobs as it tried to drive down costs. These jobs could include general managers, department managers and functional managers. The retailer said it was prioritising cost-cutting plans after issuing a profit warning following disappointing trading over Christmas 2017 as many traditional retailers struggled to cope with the shift towards shopping online.

The 320 jobs affected accounted for a quarter of Debenhams store management jobs. Expecting that their new structure would be fully in place a few months later Debenhams said in a statement, “We are currently consulting with individuals affected and will seek redeployment opportunities where possible.”

60 The retail sector continued to experience huge change and as traditional stores sought ways to cope with the rapid rise in online shopping, online retailers such as ASOS and boohoo were seeing huge rises in revenue. Department stores seemed incredibly expensive to operate as they were burdened with inflexible leases, high rents and too many properties.

Bring back the joy

65 In September 2018, Sergio Bucher said “We have to make shopping fun again.” Debenhams opened a new branch in Watford as it tried to revive its fortunes on the high street. In the newly designed store, customers could enjoy beauty treatments as well as try on new outfits in premium changing rooms with mood lighting of their choice and finish off their social shopping experience with a drink at the gin bar. Mr Bucher said, “We just want to bring the joy back. We have to make sure that every shopping trip is memorable.” He noted that previously stores were like warehouses full of products with a till at the door.

Innovations in the Watford store included:

- Dedicated areas to showcase new and upcoming brands
- A beauty “clubhouse” for advice on a range of products
- 75 • A space used to host events for Beauty Club members
- An online loyalty scheme and forum featuring tips and advice on products from customers

These innovations generated around £150 000 in sales in just ten days. While the cost of the Watford store was unknown a significant capital contribution was provided by its landlord, Intu, as an incentive to locate in its shopping centre. The big challenge for Debenhams would be how to finance the roll out of these new ideas to its other stores.

Debenhams closures could devastate high streets

85 In October 2018, Debenhams continued to seek further efficiencies. A Debenhams spokeswoman said: “We have identified up to 50 stores, accounting for under 15% of total sales, which are currently profitable, but where we do not see a long term future and which we intend to exit over the next three to five years.”

The announcement has caused worry for workers, business leaders and council officials. For lots of people Debenhams is a major feature of the UK high street, attracting many customers and businesses to its location. There is evidence that shoppers still browse on the high street but may not make the final purchase there.

90 In 2019, Debenhams announced that it was increasing its store closure plans from 10 to 50 shops – putting 4 000 jobs at risk. Closures would take place within three to five years. The store closure programme would be accelerated, and 20 shops were planned to be shut by the end of 2019. However, in April 2019, Debenhams went into administration for the first time and after some attempts to save the business, it again went into administration for a second time in 2020.
95 In May 2021, the last remaining Debenhams stores closed.

The Debenhams brand will continue to trade online after it was bought by the fashion retailer Boohoo for £55m in January 2021.

- (a) Explain the advantages and disadvantages to Debenhams of changing its organisational structure by cutting 320 store management jobs. (lines 51-53) [8]
- (b) Debenhams’ cost cutting measures place profits over ethics. Discuss. [10]
- (c) Evaluate the impact of a business’s choice of location on its success. [10]
- (d) Evaluate the importance to Debenhams of managing change effectively. [10]
- (e) Evaluate the impact of technological and social factors on Debenhams and its stakeholders. [12]

SECTION B

Answer one question from this section.

2. EU and international trade

- (a) Explain the reasons why some businesses seeking to lower costs may carry out international trade. [10]
- (b) Evaluate the impact on UK businesses of not being a member of the EU. [20]

3. Political

- (a) Explain how changes in fiscal and monetary policy affect demand for high value items such as housing and cars. [10]
- (b) The government needs to control business activity through legislation in order to protect stakeholders. Discuss. [20]

4. Marketing

- (a) Explain the likely features of the marketing mix for a niche market business such as a vegan café or bakery producing gluten free products. [10]
- (b) Evaluate the usefulness of the different methods of primary and secondary market research to businesses entering new markets. [20]

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