



Rewarding Learning

ADVANCED

General Certificate of Education

2022

Business Studies

Assessment Unit A2 1

assessing

Strategic Decision Making



ABU11

[ABU11]

WEDNESDAY 25 MAY, AFTERNOON

TIME

2 hours.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.

You may use a calculator.

Answer **all** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 90.

Quality of written communication will be assessed in Questions **2, 3, 4** and **5**.

Quantitative skills will be assessed in Questions **2** and **5**.

Any workings should be clearly shown since marks may be awarded for partially correct solutions.

Figures in brackets printed down the right-hand side of the pages indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time.

The following passage was written in 2019.

Study the information in the case study below and answer all the questions that follow.

Irwin's Bakery Ltd

Irwin's is a family-owned business, located in Portadown. It is Northern Ireland's largest independent bakery which specialises in the production and distribution of traditional Irish breads across Northern Ireland, the Republic of Ireland and Great Britain. It employs over 600 staff. From horse and cart deliveries in its early days, the company has been baking bread in Northern Ireland for over 100 years and now exports as far afield as the Middle East and China. Irwin's product range includes Irish speciality breads, rolls, baps, muffins, cakes and biscuits. Irwin's regularly features in global awards for outstanding taste, including UK Great Taste Awards and Irish Food and Drink Awards.

Irwin's breads currently account for around 85% of all Irish breads sold in Great Britain, spearheaded by the multi-award winning Rankin Selection Irish Breads Range, which it developed in conjunction with celebrity Irish chef Paul Rankin.

Irwin's supplies bread and cakes to the following supermarket stores:

- Tesco
- Sainsbury's
- Asda
- Co-Op
- Spar
- Poundland
- Costcutters
- Lidl

For the past 100 years, Irwin's has been committed to looking after the community and environment. The company's vision is clearly outlined in its mission statement below:

"Irwin's core values are at the centre of the bakery: local, family, community, quality, service and waste reduction; all aiming to work together to reach the company's vision of being the no.1 or no.2 brand in every market in which Irwin's serves."

Irwin's long-term objective is caring for the environment, which it hopes will help it achieve a competitive edge on its rivals. Irwin's corporate social responsibility initiatives are also in place to make sure that Irwin's is doing the best for the local community and the environment. To fulfil this objective, Irwin's strives to achieve the following:

- To be a positive contributor to the environment
- To undertake community initiatives which improve the communities it works in
- To set and achieve recycling targets (100% compostable packaging)
- To improve energy efficiency
- To determine and implement an effective carbon reduction strategy
- To achieve and measure its carbon footprint
- Ethical treatment of animals, by only using suppliers of free range eggs in all products by 2025

Irwin's realised the need for change in its packaging. It made improvements to its packaging to reduce waste in the bakery and to the customers at home. The company is proud to report that it has made a saving of 97.2 tonnes of waste by changing the packaging on its Nutty Krust and Softee products to make them 100% compostable; this means that it is made up of zero plastic wax paper, which will biodegrade at the same rate as leaves.

Despite reporting a financial loss in 2018, Irwin's plans to pursue its growth strategy. Marketing Director John Gibson is well aware of the growth in the agri-food industry and the need to remain competitive. He has drawn up an Ansoff Matrix to assist with decision making. In the short term, Irwin's is focused on product development and market penetration to help boost sales.

Table 1: Irwin's Ansoff Matrix

| | | Existing | Products | New |
|---------|----------|---|----------|--|
| Markets | Existing | <p>Market penetration</p> <p>Increase store distribution Big in Big lines (special deals) Build loyalty Sales at weekend</p> | | <p>Product development</p> <p>"Better You" pan breads Low sugar and low fat products New range of Rankin Irish Bread Introduction of new ranges</p> |
| | New | <p>Market development</p> <p>Export to China and Spain Foodservice</p> | | <p>Diversification</p> <p>Frozen foods Sandwiches Stuffing Breadcrumbs</p> |

A strategy to achieve growth using the Ansoff Matrix is through market penetration. Irwin's has tried to increase market share by increasing advertising, introducing weekend sales promotions and increasing the amount of products in stores. John hopes that these strategies will build brand loyalty.

To help with product development Irwin's has used expensive secondary research companies. As part of its product development, Irwin's has secured orders for its new range of "Better You" pan breads in 630 stores across Northern Ireland. The "Better You" range is sold in multipacks and individually, and includes white and wholemeal loaves, both of which are low in sugar and fat.

Food and drink products from Northern Ireland are exported to over 70 countries and contribute £5 billion to the Northern Ireland economy. The success in this industry is down to Northern Ireland's pure, lush countryside, and farmers and producers who are dedicated to traceability and are passionate about quality. However, John identified that the agri-food industry is threatened by the increased number of food scares, food allergies and rising costs of production. He is concerned about the increasing labour costs and changing consumer tastes towards healthier products.

In April 2020, the Board of Directors of Irwin's decided to update the company's IT system. It invested £1.5 million in new software and hardware systems to help improve internal and external communication. The new investment in IT enables staff to keep in touch while on the move through email, video conferencing and Skype calls.

As part of a new Health and Safety Policy the Board of Directors gave the go ahead to spend a further £600,000 on a fire suppression system. The business relied on a bank loan totalling £2.1 million to fund both the fire suppression system and updated IT system, which incurs high interest charges.

In 2018, Irwin's generated a loss (of £0.17 million); this was a result of lower weather-related crop yields and increases in raw material and packaging costs. The directors have proposed that increasing product selling prices, improving operational efficiencies, new product development and market penetration strategies will lead to sales and profit growth in the future.

Table 2: Extracts from Irwin's Bakery Ltd published accounts 2018

| | 2018 £ | 2017 £ |
|----------------------------|-------------------|-------------------|
| Sales revenue | 30.16 m | 29.42 m |
| Cost of sales | 22.7 m | 21.57 m |
| Gross profit | 7.46 m | 7.85 m |
| Loss for year | (0.17 m) | (0.41 m) |
| Current assets | 5.95 m | 6.13 m |
| Current liabilities | 8.34 m | 8.20 m |
| Capital employed | 2.02 m | 2.37 m |

Source: Copyright © Irwin's Bakery 2022

- 1 (a) Explain **one** way in which the investment of £1.5 million in new technology might have impacted on communication within Irwin's. [4]
- (b) Explain **two** threats from its external environment that Irwin's must address to continue trading profitably. [6]
- 2 Evaluate Irwin's use of a bank loan to fund its new projects. [15]
- 3 Evaluate the use of Irwin's long-term objective of caring for the environment. [20]
- 4 Evaluate the use of the Ansoff Matrix as a decision-making tool for Irwin's for product development and market penetration purposes. [20]
- 5 Evaluate Irwin's performance for the period 2017–2018 using extracts from its published accounts stated in **Table 2**. (Candidates are not required to calculate any accounting ratios.) [25]

THIS IS THE END OF THE QUESTION PAPER

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will be happy to rectify any omissions of acknowledgement in future if notified.