



Rewarding Learning

ADVANCED

General Certificate of Education

Business Studies

Assessment Unit A2 2
assessing

The Competitive Business Environment



ABU21

[ABU21] Assessment

TIME

2 hours.

Assessment Level of Control:

Tick the relevant box (✓)

Controlled Conditions	
Other	

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
You are strongly recommended to spend 10 minutes reading all of the information sources **and** questions before writing your answers.
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 **4, 5** and **6**.
Quantitative skills will be assessed in Questions **1, 2** and **5**.
Any workings should be clearly shown since marks may be awarded for partially correct solutions.

ADVICE TO CANDIDATES

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

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

Greiner Packaging Limited

Greiner Packaging Limited operates a £2.5 million manufacturing plant hall unveiled at its site in Dungannon, Co Tyrone. This site manufactures plastic bottles, cans, lids, containers, cups, tubs and buckets. The installation of state-of-the-art digital technology on the site provides Greiner with the ability to manufacture 1.5 million plastic pots per day. It is a global player with 34 locations in 19 countries across the world. It expanded into India and is one of the leading suppliers of plastic packaging to the Indian dairy market.

Greiner specialises in customised products which allows it to serve the widest imaginable range of markets including food and drink, healthcare, cosmetics, and the chemical industry. It is responsible for the revolutionary conversion of Nestlé Quality Street tins into plastic packaging.

Greiner Packaging Limited's Statement of Financial Position as at 31 December 2017 states that it has invested over £24 million to date on plant and machinery. The company states that its continual investment in state-of-the-art digital technology, as shown in **Table 1**, will secure its growth and improve its very demanding and exacting standards in the plastics packaging industry. Greiner is also investing heavily in developing technologies in plastic food packaging for longer product shelf life without preservatives while also providing good product protection.

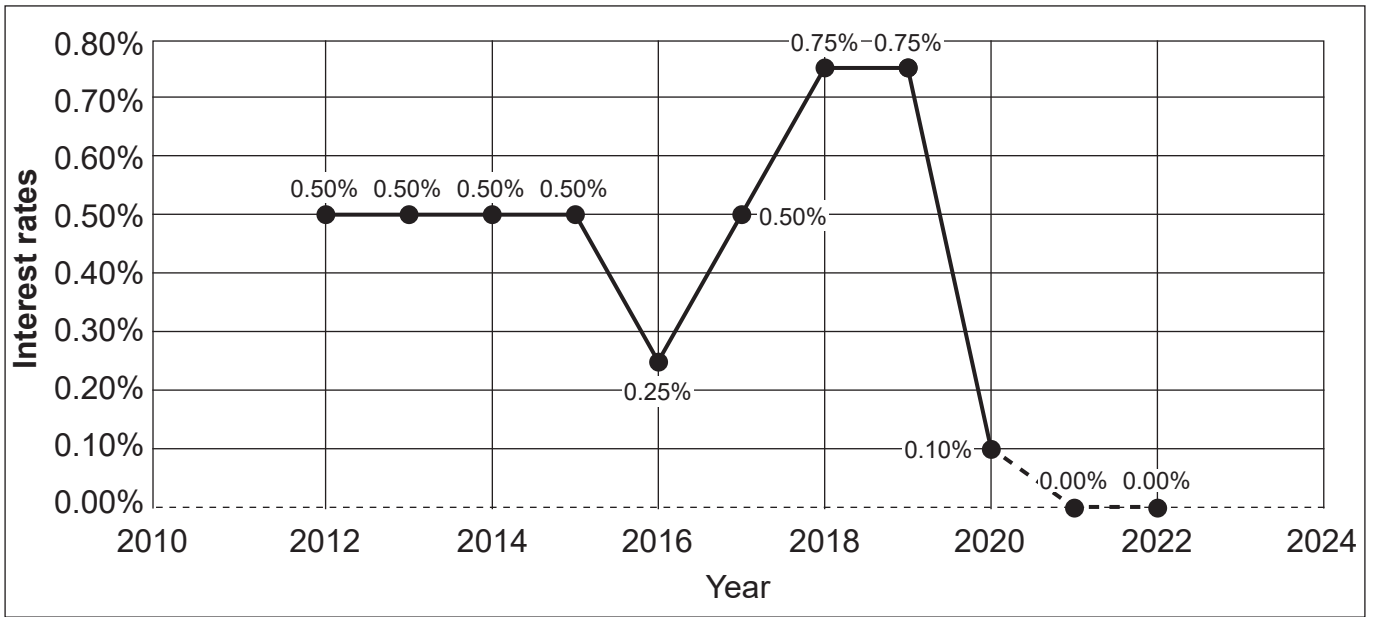
Table 1: Excerpts from Greiner Packaging Limited Financial Statements for the two years ended 31 December 2017 and 31 December 2016

Details	31 December 2017 (£)	31 December 2016 (£)
Sales Revenue	40,149,409	34,625,676
Gross Profit	6,940,307	7,442,394
Net Profit Before Interest	2,235,723	2,867,498
Bank Loans and Hire Purchase	2,537,868	1,235,665
Interest Payable	95,157	89,402
Plant & Digital Technology Additions	1,439,839	1,874,327

The Directors stated that during the year ended 31 December 2017 their profits came under pressure due to rising material prices. The company increased prices in 2018 in an effort to regain lost profits.

Greiner is exposed to a variety of financial risks including interest rate changes. During 2017 Greiner's financial position was adversely affected by an increase in the interest rate. Given the low interest rates in 2016, Greiner decided on an investment strategy culminating in plant and machinery additions totalling £3,314,166, for both years 2016 and 2017, respectively. This was financed in part by bank loans and hire purchase amounting to £2,537,868.

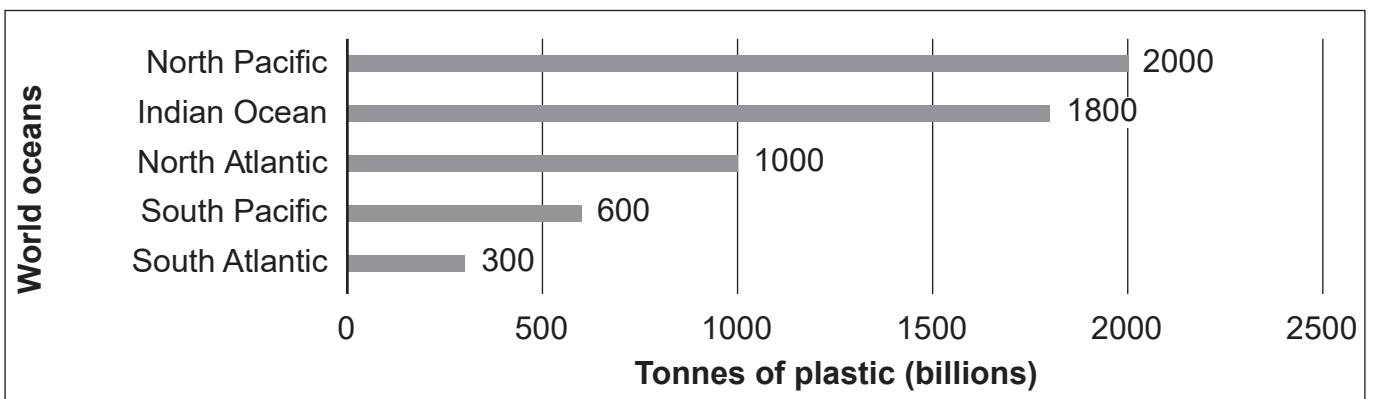
Fig. 1: UK interest rates for the period 2012 to 2022



Greiner Packaging Limited is committed to protecting the planet and its inhabitants and sustainability is very important to the company. It has embraced sustainability as part of its “Blue Packaging Strategy”. Its Blue Packaging or sustainability strategy is its promise to act in an ecological and socially responsible manner towards the environment, society and its customers. It uses innovative and cost-effective approaches when it comes to its raw materials, logistics and infrastructure. Examples of sustainability include researching new raw material alternatives, short delivery distances to its customers and the reuse of released energy sources and renewable energies.

Recent statistics on the level of plastic pollution in the world’s oceans which affects marine environments do not make comfortable reading. **Fig. 2** shows current estimates on the number of plastic pieces in each of the oceans.

Fig. 2: Level of plastic pollution in world’s oceans (2014)



The use of plastic packaging has resulted in lower costs for businesses. Lightweight packaging reduces transport costs and enhances the shelf life of products. However, the spotlight on plastic packaging and its impact on the environment will force change in the food and drinks industry. The reduction in the consumption of plastics is seen by environmentalists and government policymakers across the world as one of the key policies to reduce plastic pollution. The UK's Government Budget 2017 raised the disposal of plastic waste as an important issue and a matter of national concern. The UK government announced that investigations would be undertaken to evaluate how the tax system and charges on plastic items can reduce waste. One government policy aimed at reducing plastic consumption would be to try to increase prices of plastic products, by taxing manufacturers for each plastic product sold.

The UK's food and drinks industry has been shamed into pledging to reduce its use of plastic in its packaging and to use more recyclable or biodegradable plastics following public anger and adverse publicity about the damage caused to the environment. Plastic manufacturing companies, like Greiner, are required to be more environmentally friendly, following the media spotlight on plastic packaging.

Recycled and biodegradable materials are set to be a key driver for change in the food packaging market. While this presents opportunities for using alternative materials, the higher costs of production of such materials in comparison to plastics is a concern, particularly in the current economic climate and rising food prices.

Greiner's objective is to develop systems through which the packaging does not lose value and can be recycled, composted or reused.

Greiner has made a commitment to reduce problematic and unnecessary plastics. It has set ambitious targets for 2025:

1. Eliminate unnecessary plastic packaging through design, innovation or alternative reuse delivery models.
2. 100% of plastic to be recyclable, reusable or compostable.

Setting these ambitious targets to remove all plastic packaging and replace them with recyclable or more sustainable alternatives brings with it many new questions and challenges, including carbon emissions, chemical pollution and product waste. However, the main solution to managing waste is improved waste collection and recycling.

Greiner obtains its bioplastic products from renewable sources, such as vegetable fats and oils, corn starch, straw, woodchips and food waste. Greiner's continued use of bioplastics represents an opportunity to gain a competitive edge in the market. This will require additional investment in plant and digital technology, investments into research and development into new alternatives to plastic and reviews of pricing policies. This will require financial support from the government.

“The spotlight on plastic packaging and its environmental impact will be a key driver of change in the food and drinks industry. Consumers’ expectations for sustainable packaging are set to heighten demand for alternative materials. Responding to the shifting demographic backdrop is also vital, given the growing number of small households and growing population” (Mintel Report by Alyson Parkes, Business Research Analyst).

In her Mintel Report, Alyson researched the global food and drinks market. She discusses her conclusions on plastic packaging issues with regard to consumers in this particular market. The trends are highlighted below.

Consumer preferences:

- Plastic packaging is associated with being difficult to recycle and, with countries’ ageing populations, there is a growing need for plastic products to cater for the older generation.
- Plastic food packaging that is re-sealable appeals to the majority of consumers.
- Strong interest in buying loose food products like fruit and vegetables suggests a future for plastic-free aisles in supermarkets.
- Many consumers expect plastic food packaging companies to make food packaging sustainable.

Greiner Packaging Limited must respond to the challenging demands of its stakeholders. Customers expect packaging to be more environmentally friendly and sustainable, while shareholders expect increased dividends.

Using the information provided and your own knowledge and understanding, answer all six questions. Show your workings as appropriate.

- 1** Explain how Greiner Packaging Limited's financial statements are used by the management team to measure its financial success. [6]

- 2** Analyse the likely effects of the interest rate increase in 2017, as shown in **Fig. 1**, on the financial position of Greiner Packaging Limited. [9]

- 3** Evaluate the impact for Greiner Packaging Limited of its Blue Packaging Sustainability Strategy. [15]

- 4** Evaluate the implications for Greiner Packaging Limited of changing consumer preferences concerning the use of plastic packaging as detailed in the Mintel Report. [20]

- 5** Evaluate the possible effects of the UK Government's proposal to tax all plastic goods sold on Greiner Packaging Limited. [20]

- 6** Evaluate the reasons why Greiner Packaging Limited may resist the change to move away from plastic manufacturing. [20]

THIS IS THE END OF THE QUESTION PAPER

Sources:

Case Study.....© Greiner Packaging 2022 /

© The UK budget: where does the packaging industry stand? By Elliot Gardner. Published by Packaging Gateway 22 November 2017
<https://www.packaging-gateway.com/features/uk-budget-packaging-industry-stand/>

Table 1.....© Greiner Packaging 2022

Fig.1.....© 2022 Bank of England. Contains public sector information licensed under the Open Government Licence v3.0.

Fig.2.....Adapted from © Eriksen M, Lebreton LCM, Carson HS, Thiel M, Moore CJ, Borro JC, et al. (2014) Plastic Pollution in the World's Oceans: More than 5 Trillion Plastic Pieces Weighing over 250,000 Tons Afloat at Sea. PLoS ONE 9(12): e111913. <https://doi.org/10.1371/journal.pone.0111913>

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