AQA

GCSE
BUSINESS

Paper 1 Influences of operations and HRM on business activity

8132/1

Insert

Source material for use in answering Section B and Section C

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ITEM A: D@SO LTD

D@SO Ltd is a manufacturer of lights and decorations for special occasions. The company imports raw materials from China at a low price. Raw materials are purchased 3 months in advance by estimating future customer orders. D@SO Ltd receives a discount from suppliers for buying in bulk. It holds a buffer stock which helps during busy times such as Christmas when demand is unpredictable.

A local supplier can deliver raw materials within 24 hours. If D@SO Ltd switches to this supplier, it would be able to order small quantities when customer orders are received. The current stock storage room could then be used to expand the production area. However, prices from the new local supplier are higher than those from the current supplier in China.

FIGURE 1

Exchange rate of Chinese yuan to British pound 2025

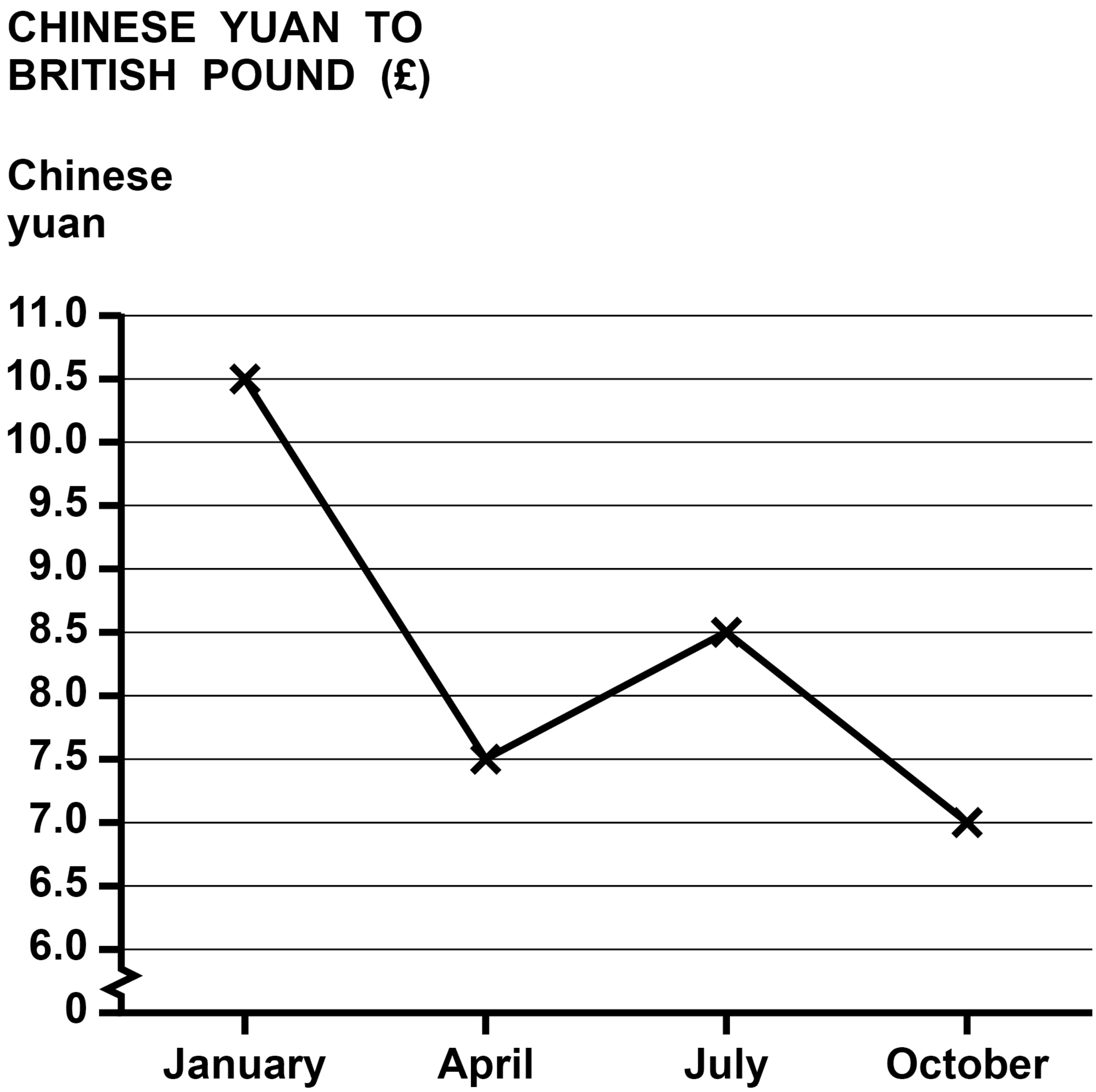

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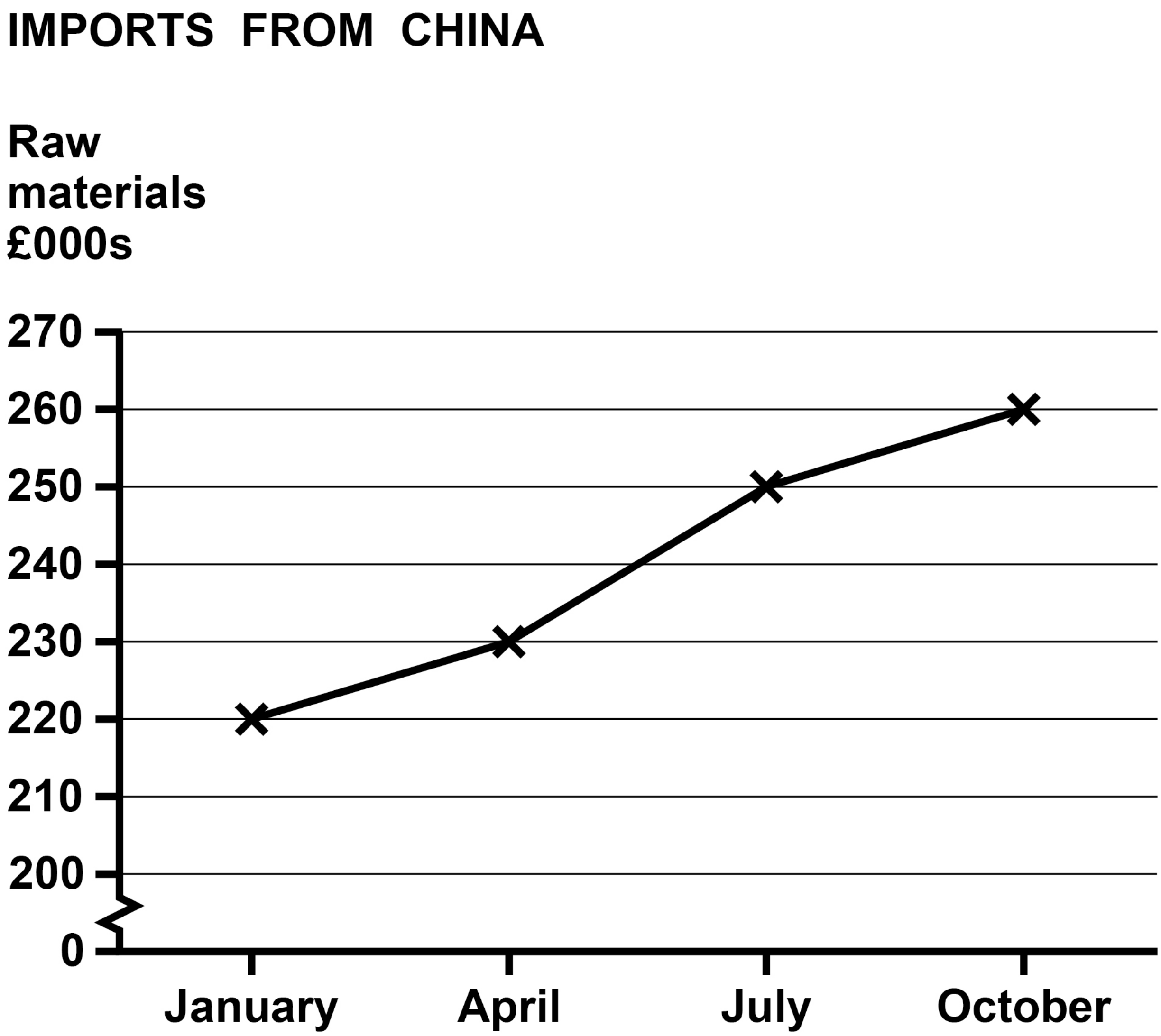
FIGURE 2

Cost of raw materials purchased from China by a business



ITEM B: D@SO LTD

D@SO Ltd has recently employed more production staff. Gwen is a production manager; she now has 12 production employees to supervise. She must ensure that work is given to suitable employees and that quality is at the expected level.

D@SO Ltd has decided to introduce two new supervisor roles. These supervisors will report to Gwen and oversee the 12 production employees. Two highly experienced and well-trained production employees have applied to job share one of the supervisor's roles. They have offered suitable ways in which the hours can be shared. However, they cannot agree on how they will hand over work each day. Both have different ideas on how the supervisor's role should work. Gwen is concerned the two employees will leave if the job share is not offered.

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ITEM C: CHARLIE PAUL

Charlie Paul (CP) is a successful retailer. It is located in most shopping centres around the UK.

Each CP store has several different floors. A wide range of products are offered including clothing, cosmetics and homeware. All products are high quality and sell for premium prices. Many of its products, such as furniture and bedding, are produced sustainably using recycled materials. The business has made a key pledge to stakeholders that by 2030, all of its 2700 vans used for deliveries will be electric.

Employees in all departments undergo training so they can provide detailed information about products. At the escalator on each floor, there are employees whose job it is to guide customers to the exact locations of the products they are looking for. These services contribute significantly to the store's appeal and attract customers.

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ITEM D: CHARLIE PAUL

CP has replaced employees who assisted shoppers at each escalator with an interactive screen showing a map of different parts of each store. The map allows customers to search for products and plan their route around the store they are visiting.

At Christmas time, CP features a Santa's Grotto in each of its stores. Parents can book a time slot with Santa in-store using the interactive screen. Parents are placed in a virtual queue and receive a text message when it is their time to visit Santa.

The visit to Santa is free but parents are charged for extras, such as photos of their child with Santa. At the Grotto, employees are paid on commission to sell these extras. The employee who acts as Santa is paid £160 per day. The six other employees working in the Grotto are each paid £15 per hour. The Grotto is open 8 hours per day, but is closed on a Monday.

TABLE 1

Sales of Santa’s Grotto extras at one store

	WEEKLY TOTAL SALES (OVER 6 DAYS)
Key rings	£2 500
Biscuit decorating	£3 000
Photos	£18 000

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ITEM E: CHARLIE PAUL

CP is a family-owned business which prides itself on the quality of products and services it offers. Its prices are high and the business rarely offers reductions.

CP’S OBJECTIVES

- **CP has an outstanding reputation for treating employees and suppliers well. Profit is not the most important objective for the business.**
- **The owners of CP view their employees as family. Employees receive many benefits in addition to their wages, which are above the national average in retail. The business has never made employees redundant in the 50 years it has been operating.**
- **Suppliers are paid after 35 days and the business pays fair prices to support fairtrade and small producers.**

Increasing competition from online retailers is reducing CP’s sales. A large amount of cash is needed to develop its website. CP is considering TWO options.

OPTION 1 – CONVERT TO A PLC

The business could sell 60% of its shares to the general public. A well-known business woman, Naia Hayat, has indicated she may be a possible investor if the business converts to a Plc. She managed successful and highly profitable retail outlets by keeping staff costs to a minimum to maximise profits.

OPTION 2 – REDUCING THE COST OF SUPPLIES

CP has found a large manufacturer who can offer products at a slightly lower quality. This supplier will provide products at half the current price if CP guarantees to buy 65% of the stock it needs. CP will renegotiate cheaper contracts with existing suppliers for the remaining stock required but will offer to pay these contracts immediately upon order.

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