

Question 1

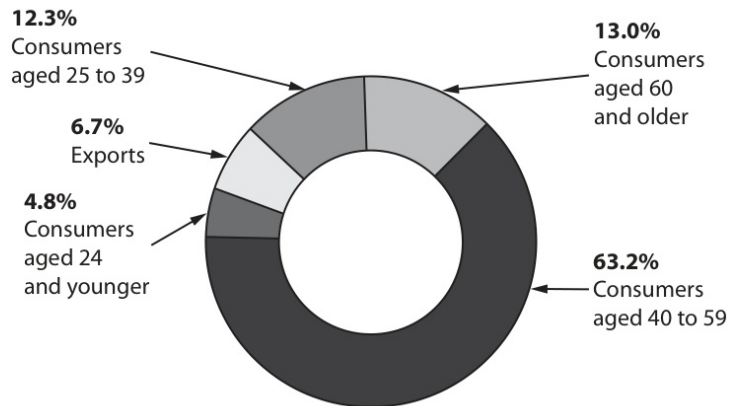
SECTION B

Read the following extracts (D to G) before answering Question 2.

Write your answers in the spaces provided.

Extract D

The US coffee market 2016



(Source adapted from: Industry Insider Copyright © 2018)

Extract E

Estimated change in USA population by age group

Age (years)	Change (%) between 2020 and 2040
Under 24	-2.4
25 to 39	-1.3
40 to 59	-1.2
60 and over	4.9

(Source adapted from: <https://www.census.gov/>)

Extract F

Canadian coffee roaster sold to Lavazza

For more than 120 years, Lavazza has been a major business in Europe's coffee market. It focuses on selling coffee through small specialised outlets. Lavazza has recently bought an 80% stake in Canada's Kicking Horse Coffee. Lavazza stated 'we are interested in NAFTA. Kicking Horse has a strong presence in the fast-growing organic and fairtrade segments of the Canadian coffee market. It fits well in Lavazza's brand portfolio'.

Under NAFTA, member states must treat each other's goods, services, and investors as they treat their own. Foreign investors can purchase any company incorporated in Canada, knowing they have secure access to markets in the USA and Mexico.

(Source based on: ©2018 CBC/Radio-Canada)

Extract G

Staffing approaches at Starbucks

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North Star is a Starbucks initiative created to focus its North American employees on what makes a good Starbucks' customer experience.

Some employees are unhappy about how North Star has affected them. Their concerns include: workers struggling with high workloads; less support and reduced management; understaffing because organisational structures in stores and regions have been made flatter. One employee said: "They cut our labour in half last year, and often there'd only be one coffee server on at a time. Staff are simply treated as a cost".

Kris Engskov, new Head of US Retail, said: "Staff are our biggest asset; how we staff our stores is the most important thing we do. Our managers have great autonomy".

In the USA, Starbucks' baristas are paid \$9.50 an hour on average, compared to McDonald's employees who are paid \$8.49 an hour. Other Starbucks staff benefits include university tuition assistance, flexible working hours and Starbucks shares at a discounted price.

(Source adapted from: © 2018 Insider Inc)

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- 2 (a) Explain **one** limitation of secondary market research data, such as that presented in Extract D.

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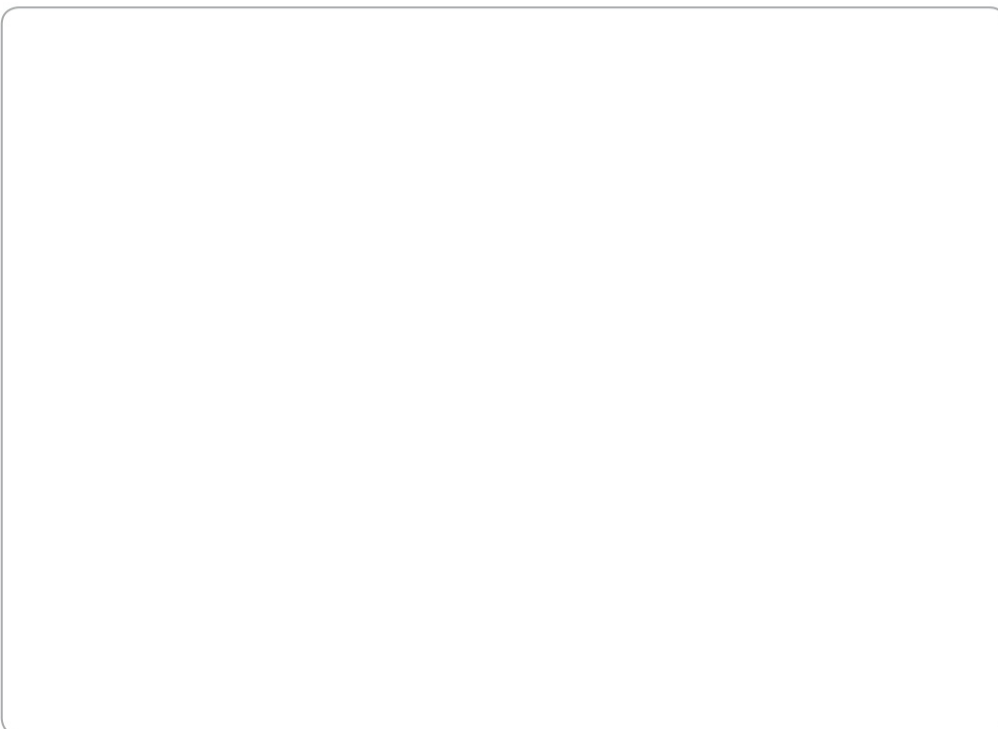
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Consumers aged 40–59 years old are the largest age group in the USA coffee market.

- (b) Using the data in Extract E, draw a demand and supply diagram to show the likely effects of the estimated change in population for the 40–59 age group on the USA coffee market.

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(c) Assess the likely benefits to Lavazza of operating in the NAFTA trading bloc.

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(d) Assess the likely importance to a business, such as Lavazza, of adapting its marketing mix to global markets.

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Starbucks aims to improve employer-employee relations in its USA stores. To do this, Starbucks could either focus on changing its organisational structure, or extend its flexible working practices for employees.

(e) Evaluate these two options and recommend which **one** is the most suitable for Starbucks to improve its employer-employee relations.

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(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS

Question 2

Answer ALL questions.

SECTION A

Read the following extracts (A to D) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Takeaway consumption and median income in the UK

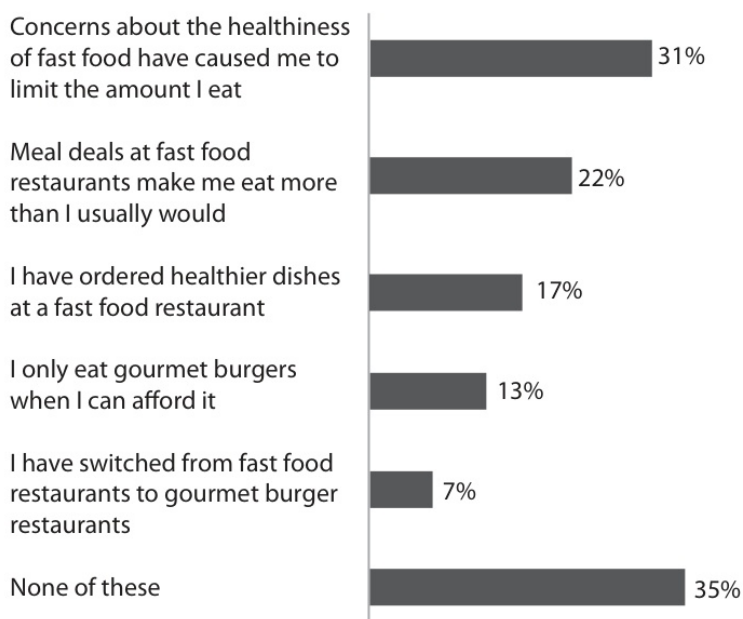
	Average number of takeaway meals consumed per year, per person	Median annual income for full-time employees
2013	140	£27 000
2014	144	£27 195

(Sources: adapted from © Crown copyright, © 2017 RetailMeNot UK Limited and © Associated Newspapers Ltd)

Extract B

Eating behaviours at fast food restaurants

Which of the following statements, if any, apply to you?



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Extract C**'High frying' Norwich entrepreneurs**

Lord Somerleyton and his business partner Toby Marchant opened Hot Chip in Norwich in June 2013. Within a year, it had won best chip shop in Norfolk at the National Chip Week awards.

They now plan to open a 'Hot Chip Saloon', to target the late-night economy. Lord Somerleyton said: "Before we can turn Hot Chip into a national brand we know we need to have between three and five successfully trading shops."

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The entrepreneurs also hope to open a Hot Chip van. The idea came from visiting Great Yarmouth's chips stalls and the incredible success of chips as a meal in themselves on the continent. Lord Somerleyton said: "We went around 30 to 40 fish and chip shops in East Anglia and found as much as 50% of their sales were just portions of chips."

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Hot Chip sales data showed that chips and cheesy chips had initially been most popular, but customers were increasingly trying more adventurous toppings and sauces, such as: hot salt beef, gherkin relish, melting Swiss cheese and mustard mayonnaise.

(Source: adapted from © 2017 Archant Community Media Ltd)

Extract D**Fast food management styles**

'My Secret Life on the McJob' by Jerry Newman shows the range of management styles used in the fast food business.

Newman found managers differ in the way they operate: "How employees were treated was part of an individual store culture". He describes Toxic Managers as those who use sarcasm or disrespect toward workers; Mechanical Managers were just doing their job – "as if fast food was a slow death". On rare occasions, Newman discovered Relationship Managers whose caring and kindness was extended to workers, even when they were not on the job. He defined Performance Managers as leaders who built relationships to serve as a "means to ensure performance".

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Newman was frustrated by the general lack of training and high employee turnover rates. He includes a chapter called 'Training the Utterly Confused', which explains the missed opportunity to instil the correct work habits immediately. This matches other experts' advice to "give applicants a realistic preview of what to expect on the job". What the customer sees of working in a fast food restaurant can be misleading: "What you see, is not what you get", he says.

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(Source: adapted from © 2017 Dow Jones & Company, Inc. All Rights Reserved.)



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- 1 (a) Using the data in Extract A, calculate, to 2 decimal places, the income elasticity of demand for takeaway meals. You are advised to show your working.

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(c) Assess the likely reasons for Hot Chip using mainly quantitative market research data.

(10)

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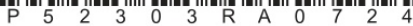


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(d) Assess whether this is the most important role of an entrepreneur, such as Lord Somerleyton.

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Hot Chip will employ a manager in each of its outlets. These managers could use a broadly autocratic or democratic leadership style.

- (e) Evaluate these **two** options and recommend which is the most suitable leadership style for a business such as Hot Chip.

(20)

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS



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