

ADVANCED SUBSIDIARY GCE
BUSINESS STUDIES
An Introduction to Business

F291

Candidates answer on the question paper.

OCR supplied materials:

None

Other materials required:

- A calculator may be used

Monday 16 May 2011
Afternoon

Duration: 1 hour



Candidate forename		Candidate surname	
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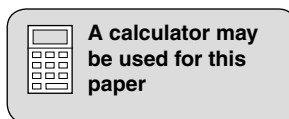
Centre number						Candidate number				
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- Write your answer to each question in the space provided. Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).
- Answer **all** the questions.
- Do **not** write in the bar codes.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **60**.
- The quality of your written communication will be taken into account in marking your answer to the question labelled with an asterisk (*).
- This document consists of **12** pages. Any blank pages are indicated.



STARBUCKS LOSES ITS SHINE

Starbucks is an international chain of coffee shops. It has over 15,000 branches in 49 countries including the UK. In the 1990s it expanded rapidly, but by 2009, after years of growth, the business was in trouble. So what happened? Some business consultants say Starbucks simply grew too fast, too soon.

Starbucks' growth means that as well as 'coffee and cakes', the company also sells books, music, and films. These activities have, however, not always been profitable. "Success was built on the coffee experience," said one consultant. "By moving so far beyond that without a clear business plan, it risked losing everything." 5

Starbucks has also been the target for protests on issues such as employment and also fairtrade policies. In 2008, an American court ordered Starbucks to pay its waiters and waitresses more than \$100m which managers had illegally taken from their tips. Others have claimed that Starbucks does not pay its suppliers an ethical price for its coffee. Starbucks disputes this and points to the fact that it has set up the 'Shared Planet' initiative to minimise environmental damage and to create a better future for coffee farmers. 10

These criticisms have had some effect on consumer demand. Consumer demand has also been affected by a range of other external factors. To make matters worse, Starbucks has also been faced with the threat of higher costs for coffee as a result of poor harvests. Starbucks operates in an oligopolistic market, alongside other well known high street retailers such as Costa Coffee and Caffé Nero. 15

A Starbucks' spokeswoman declined to comment on the closure of any under-performing UK coffee shops or how many it would open over the next year. She said, "Starbucks continues to plan new store openings internationally, including in the UK." 20

Answer **all** questions.

1 (a) Starbucks is regarded as a large business. Identify **two** ways to measure the size of a business.

1:

2: [2]

(b) Large businesses often gain economies of scale. Outline **two** economies of scale from which Starbucks might benefit.

1:

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2:

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..... [4]

(c) 'Starbucks operates in an oligopolistic market' (lines 17–18). State **two** characteristics of an oligopolistic market.

Characteristic 1:

Characteristic 2: [2]

(d) 'Without a clear business plan, it risked losing everything' (lines 7–8). Outline **two** ways in which Starbucks could benefit from clear business planning.

1:

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2:

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..... [4]

- 2 Analyse **one** likely effect on Starbucks of a rise in the cost of coffee.
You may draw a graph as part of your answer, but it is not necessary in order to gain full marks.

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[6]

5* Other than ethical issues, evaluate factors that might determine the future success of Starbucks.

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