

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

LEVEL 4 CERTIFICATE IN MANAGEMENT CONSULTING 10331

UNIT 4 BUSINESS ENVIRONMENT

CASE STUDY – SPECIMEN 2013

INSTRUCTIONS TO CANDIDATES

You should read this Case Study thoroughly and carefully at the start of the examination. You will have 30 minutes reading time. The examination questions will require you to refer to the content of the Case Study and your own knowledge.

Breadline

Breadline is an organisation which distributes unsold bread to families in need. It began operating in 2009 with a National Lottery grant and it supplements this income through local fund-raising activities. Breadline's work covers the Greater London area and its main objective is to ensure sufficient bread stocks to feed families in need on a weekly basis. Breadline's pool of volunteers is well motivated and committed to achieving this objective. The volunteers recognise that there is a growing need for the good work they do, not only in the Greater London area, but also in the other major cities across the UK.

The executive of Breadline is aware of the potential for extending the organisation's bread distribution work to other UK cities. It is also considering the possibility of using some of the bread which is no longer fit for human consumption for recycling projects. Equally, the executive is worried about the risks to the organisation of over-stretching its already scarce resources. But what concerns them most is that the systems for measuring and monitoring day-to-day performance outcomes are inadequate. The executive would be the first to admit that it lacks confidence in representing to the relevant stakeholders the important work which Breadline undertakes.

As a result of recessionary pressures, more and more families are falling into poverty. This is increasing the demand for food-banks. The number of food-banks in the Greater London area is currently around 25 and this is just under five percent of the total number in the UK. The number of food-banks is doubling every year. It is estimated that in Breadline's catchment area, some 250 people per day visit food-banks, which means that for Greater London alone, the need is enormous. To tackle this problem, Breadline and a major food charity with a UK network of nearly 300 food-banks have recently joined forces. Yet bread stocks continue to remain woefully inadequate to satisfy the growing need. There are also real concerns that bread is not being targeted to those families most in need.

White bread accounts for 80 percent of overall bread demand in the UK. Some 12 million standard white loaves are produced each day, of which approximately 30 percent remain unsold by the major supermarket chains. In recognition of this problem, a few of the major supermarket chains are supporting needy families by donating some of their unwanted food-stocks to food-banks. Breadline has also been successful in negotiating with one of the major supermarket chains for the donation of daily supplies of unsold bread for distribution to needy families. Although this is a step in the right direction, the donation of approximately 6000 standard white loaves per day, still represents a very small proportion of the daily amount unsold by the major supermarket chains.

The volume of unsold bread in the bread market does suggest that the market price of £0.80 for a standard white loaf may not be affordable for most struggling families. The cost to the supermarkets of a standard white loaf is around £0.20 but they are extremely reluctant to sell-off cheaply any bread left on the shelves at the end of each business day. Since they are clearly aware that most unsold bread stock would be bought at this lower price by needy or 'savvy' customers, this raises suspicions that the supermarket chains could be intentionally maintaining the price of the standard white loaf significantly higher than the equilibrium price.

Table 1 (below) compares the current total market shares of the major supermarket chains and the market prices they charge for a standard white loaf.

Supermarket chain	Tesco	Asda	Sainsburys	Morrisons
Total market share (%)	30	17	17	12
Market price of the standard 800 grams white loaf (£)	0.80	0.80	0.80	0.80

Table1 – Overall market shares of the four major UK supermarket chains and their market price for a standard white loaf

If the market for standard white loaves were to be 'perfectly contestable', then the quantity of standard white loaves supplied by the supermarket chains would be the same as the quantity of standard white loaves demanded by customers. In this case, there would be no unsold standard white loaves at the end of each business day. This would mean a selling price of less than £0.80 per standard white loaf.

Marketing promotions such as 'buy one, get one free' offers and the short shelf-life of bread may be contributing to the national culture of wasting food. For example, it is estimated that UK households waste just over four million tonnes of food each year and about one-sixth of this waste is bread at around 680,000 tonnes. In addition, household food waste is thought to contribute to around 20 percent of the UK's CO² emissions associated with production, distribution and storage.

To produce a standard white loaf about 600 grams of flour is needed. In turn, the 4,000,000 tonnes or so of flour produced in the UK each year is made from wheat. The UK imports around 640,000 tonnes of wheat from the USA, and 160,000 tonnes of wheat from Germany and Scandinavia. However the UK's exports of wheat are substantial, and account for some 2,400,000 tonnes. In the global marketplace, wheat has been selling at a price of £212 (340 USD) per tonne and prices in the UK follow global supply and demand trends. So it is possible that global impacts can have a bearing on the market price of the UK standard white loaf.

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