



Oxford Cambridge and RSA

Tuesday 20 May 2025 – Morning

A Level Business

H431/02 The UK business environment

Resource Booklet

Time allowed: 2 hours



INSTRUCTIONS

- Use this Resource Booklet to answer the questions in **Section B**.
- You can write on this Resource Booklet, but it will **not** be sent for marking.

INFORMATION

- The business described in this Resource Booklet is a **real** business.
- This document has **8** pages.

COFFEE#1

Coffee#1 is a UK coffee store brand which first opened in Cardiff in 2001. Since January 2022, the business has been owned by Caff  Nero Ltd. By October 2023, Coffee#1 had 115 stores across the UK.

Coffee#1 has four core values:

1. Perfect coffee – great care is taken in choosing the best beans to produce an outstanding drink. 5
2. Comfort – coffee should be enjoyed with lots of soft seating and no hard wooden benches in the stores.
3. Relaxation – coffee stores need to be a restful place to visit.
4. Well-informed service – a friendly team of baristas and managers are always available to answer any questions. 10

The directors of Coffee#1 believe these core values differentiate the brand from other coffee store brands. This market is dominated by four companies in the UK (see Table 1).

Table 1
The largest coffee store brands in the UK (August 2023)

	Number of stores
Costa Coffee	2604
Starbucks	1240
Caff� Nero	625*
Pret A Manger	448

* Only includes stores operated using the Caff  Nero brand

Coffee#1's 2022 financial report stated that its directors were confident about the company's future. The report did emphasise concerns about rising costs (especially energy), increased competition in the market and high interest rates. The report also contained a set of financial ratios (see Table 2). 15

Table 2
Financial ratios calculated from Coffee#1's financial report

	2022	2021
Current ratio	1.45	0.94
Gross profit margin	31.8%	20.4%
Net profit margin	20.3%	8.2%
ROCE	58.2%	22.0%
Debtor collection period	5.0 days	8.8 days
Stock turnover period	3.2 days	3.9 days

Source: Calculated from Coffee#1 Ltd – report and financial statements (31/05/22)

The branded coffee store market in the UK continues to experience strong market growth (see Extract A).

Extract A**UK branded coffee stores defy economic challenges**

At the start of 2023, the UK market had grown in value by 12% over the previous year to £4.9 billion. The number of stores increased over the same period by 4.4%.

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Inflationary pressures have caused all major coffee store brands to increase prices. However, rising sales indicate UK consumers still consider out-of-home coffee an affordable luxury and are not reducing consumption.

The largest UK coffee store brands have responded to changing consumption patterns by investing in new sales channels, including drive-thru, delivery, self-serve and smaller stores. The firms are also seeking to keep operational and product costs low. Recently, price consciousness has become an increasingly important consumer trend.

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It is forecast that the UK branded coffee store market will exceed 11 600 stores and £6.4 billion of sales by January 2028.

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Source: Adapted from [www.worldcoffeeportal.com/Latest/News/2023/January-\(1\)/UK-branded-coffee-shop-market-defies-difficult-tra](http://www.worldcoffeeportal.com/Latest/News/2023/January-(1)/UK-branded-coffee-shop-market-defies-difficult-tra) (19/01/23)

Staffing shortages remain a key challenge for all service sector businesses. Coffee#1 has several policies to help it overcome this challenge (**see Extract B**).

Extract B**Human resources at Coffee#1**

Adapted from www.coffee1.co.uk/team-benefits and www.coffee1.co.uk/disability-confident-employer. Item removed due to third party copyright restrictions.

UK consumers expect a high level of customer service which is a challenge for any service sector industry. This is especially true for any company selling food and drink (**see Extract C and Table 3**).

Extract C**The product range at Coffee#1**

Adapted from www.coffee1.co.uk/take-five/plant-based-perfection. Item removed due to third party copyright restrictions.

Table 3**A sample of the allergen advice available to staff at Coffee#1**

© coffee1.co.uk, Coffee#1. Item removed due to third party copyright restrictions. Link to material - www.coffee1.co.uk/wp-content/uploads/2023/10/C1-SEPTEMBER-2023-V34-Allergen-Guide.pdf

Since the end of the COVID pandemic, Coffee#1 has restarted its expansion programme
(**see Extract D**).

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Extract D**Coffee#1 continues its expansion**

Adapted from www.coffee1.co.uk/coffee1-extends-midlands-and-south-east-presence-with-three-new-openings . Item removed due to third party copyright restrictions.

NB: All data was correct at the time of writing (October 2023)

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