



Oxford Cambridge and RSA

A Level Business

H431/03 The global business environment

Sample Resource Booklet

Version 1.1

Time allowed: 2 hours

Instructions to candidates

- This is a resource booklet
- You should refer to it when answering the examination questions which are printed in a separate booklet
- The business described in this Case Study is a real business

Information

- This document consists of **8** pages. Any blank pages are indicated.

Starbucks

Extract A Starbucks' mission

Starbucks is the largest coffeehouse company in the world, with 16 120 stores in 49 countries. Starbucks sells freshly brewed coffee; espresso-based hot drinks; other hot and cold drinks, snacks, and items such as mugs and coffee beans. Through the Starbucks Entertainment division and Hear Music brand, the company also markets books, music and film.

Starbucks' mission statement is 'Establish Starbucks as the premier purveyor (seller) of the finest coffee in the world while maintaining our uncompromising principles while we grow.'

Its six principles are:

1. Provide a great work environment and treat each other with respect and dignity
2. Embrace diversity as an essential component in the way we do business
3. Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee
4. Develop enthusiastically satisfied customers all of the time
5. Contribute positively to our communities and our environment
6. Recognize that profitability is essential to our future success.

Extract B Starbucks' Porter's Five Forces analysis (USA market)

| Porter's Five Forces | Details |
|--|--|
| Rivalry among competing firms | There is intense competition in the coffee market amongst established coffee shops that are fighting to get customers. There are local coffee shops offering specials to lure potential customers in. Restaurants are opening earlier and closing later to accommodate customers on the go. With 85% of North American customers taking their coffee to go, convenience is a major factor. |
| Potential of new competitors | There is a great deal of risk of entry by potential competitors due to the low start-up costs. McDonalds is able to add speciality coffee to its existing services to tap into the speciality coffee market. There is potential of US\$125 000 per year in revenue to be made by each store if they are able to successfully enter the speciality coffee market. |
| Potential development of substitute products | Water is a substitute which is healthy for us and it is free. The option to buy bottled water is also inexpensive compared to coffee. With a focus on healthier living, water is the ultimate choice. |
| Bargaining power of suppliers | There is more bargaining power for suppliers of technological innovations, such as automated coffee machines, latte and espresso machines because there are not as many suppliers of such equipment as there are of coffee beans. |
| Bargaining power of consumers | Customers did not really have bargaining power when it came to premium coffee such as Starbucks. The sheer scale of Starbucks' business reduces the bargaining power of any single group of buyers. |

Extract C Starbucks growth

i

Extract C is about Starbucks' growth. This item has been removed due to third party copyright restrictions.

A copy of the extract is available at www.investopedia.com

The extract opens 'The number of Starbucks coffee shops that flooded the market' and finishes at 'the use of Starbucks cards at Teavana stores'.

Fig.1 is a graph showing Starbucks corporation share prices from December 2010 to November 2013. This item has been removed due to third party copyright restrictions.

A copy of the graph is available at www.investopedia.com

For other examples of this type of question please see our past papers, available through our website and Interchange. Alternatively, see our ExamBuilder platform for the full list of relevant mock questions.

Extract D Expansion into Bangalore, India

i

Extract D is an extract taken from a Starbucks press release about expanding the business into Bangalore, India. This item has been removed due to third party copyright restrictions.

A copy of the extract is available at <https://stories.starbucks.com/stories/2013/starbucks-continues-expansion-in-india-with-opening-of-new-flagship-store-i/>

The extract opens 'We are excited to open our doors to customers' and finishes at 'elevated coffehouse experience to more customers'.

For other examples of this type of question please see our past papers, available through our website and Interchange. Alternatively, see our ExamBuilder platform for the full list of relevant mock questions.

Extract E Expansion into China

According to its latest quarterly report, Starbucks saw a 30% year-on-year jump in revenues from its Asia-Pacific region, lifted by outstanding sales in China. Very strong sales volumes show that the coffee concept can succeed in traditional tea-drinking countries.

Starbucks' solid sales growth in the Asia-Pacific region was driven by the 500 new stores it opened there last year, and its Asian expansion plans are not slowing down.

Starbucks said its marketing strategy in China is similar to that of its Western markets. It continues to focus on its core food and beverage products, while also offering other locally oriented choices. Demographically Starbucks is targeting the younger and more affluent groups.

The coffee shop market, however, is beginning to heat up. Increasing competition is likely to be the most pressing issue as more Western coffee brands enter the Chinese market. In 2012, each Chinese person consumed an average of about two cups of coffee per year. That's a far cry from the global average of 134 cups a year. Coffee has less than 1% of the Chinese hot-drink market share. By contrast, tea makes up 54% of the market.

Extract F Starbucks' supply chain



Extract F is an extract taken from a blog by Olivia Brink about Starbucks' operations management. This item has been removed due to third party copyright restrictions.

A copy of the extract is available at <http://boyerprofosu.blogspot.com/2013/02/starbucks-supply-chain.html>

The extract opens 'Starbucks Coffee has become a giant global company' and finishes at 'delivery process with over 70 000 deliveries daily'.

For other examples of this type of question please see our past papers, available through our website and Interchange. Alternatively, see our ExamBuilder platform for the full list of relevant mock questions.

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Summary of updates

| Date | Version | Change |
|---------------|---------|-------------------------------------|
| February 2021 | 1.1 | Updated copyright acknowledgements. |

Copyright Information:

SlideShare

InvestIndia: Development of coffee shops in India www.investindia.gov.in

www.money.cnn.com

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A Level in Business

H431/03 The global business environment

Sample Question Paper

Date – Morning/Afternoon

Time allowed: 2 hours



You must have:

- the Resource Booklet

You may use:

- a scientific or graphical calculator



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| | | | | | | | | | | | |
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| First name | | | | | | | | | | | |
| Last name | | | | | | | | | | | |
| Centre number | | | | | | | Candidate number | | | | |

INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number and candidate number.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- If additional space is required, use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the bar codes.

INFORMATION

- The total mark for this paper is **80**.
- The marks for each question are shown in brackets [].
- Quality of extended responses will be assessed in questions marked with an asterisk (*).
- This document consists of **8** pages.

Answer **all** the questions.

Please use the information provided in the **Resource Booklet** to answer the following questions.

- 1 Before Starbucks enters a new market, such as that in China in 2013, it examines the nature of demand.

Explain **two** factors which might affect the demand for Starbucks' products.

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[4]

- 2 Referring to Extract B, showing Porter's Five Forces, analyse how the 'Potential of New Competitors' is likely to influence the decision making of Starbucks.

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[6]

- 4 InvestinIndia, a firm of management consultants based in India, has put some data and a decision tree together regarding Starbucks' possible expansion into one of three small cities in the Indian province of Uttar Pradesh (see Table 1 and Fig.2). It is hoping that its information will be of use to Starbucks in deciding whether or not to open a coffee shop in Uttar Pradesh and if so in which city.

Table 1

| | Population (2013) | Hourly wage rate in 2012 (in \$US) | Hourly wage rate in 2013 (in \$US) | No. of coffee shops (2013) | Annual local economic growth (2013) | Local inflation rate (2013 annual %) | Characteristics |
|--------|-------------------|------------------------------------|------------------------------------|----------------------------|-------------------------------------|--------------------------------------|--|
| City A | 161 000 | 4.50 | 4.95 | 4 | 3.5% | 7.6% | Growing city with small, prosperous business district |
| City B | 425 000 | 3.25 | 3.30 | 3 | 1.5% | 0.4% | Old historic city with a high proportion of urban poor |
| City C | 98 000 | 5.00 | 6.00 | 6 | 6.2% | 11.2% | Rapidly growing city benefitting from increasing foreign direct investment |

- (a) InvestinIndia did some research for another international brand of coffee when it was setting up a shop in India's capital city, Delhi. It found that demand changed in response to advertising. The demand went from 23 500 cups to 27 250 cups a month after an increase in advertising spend of 22%.

Calculate the advertising elasticity of demand. Give your answer correct to two decimal places.

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..... [3]

(b) Using Table 1, calculate the **real** wage increase in City A from 2012 to 2013.

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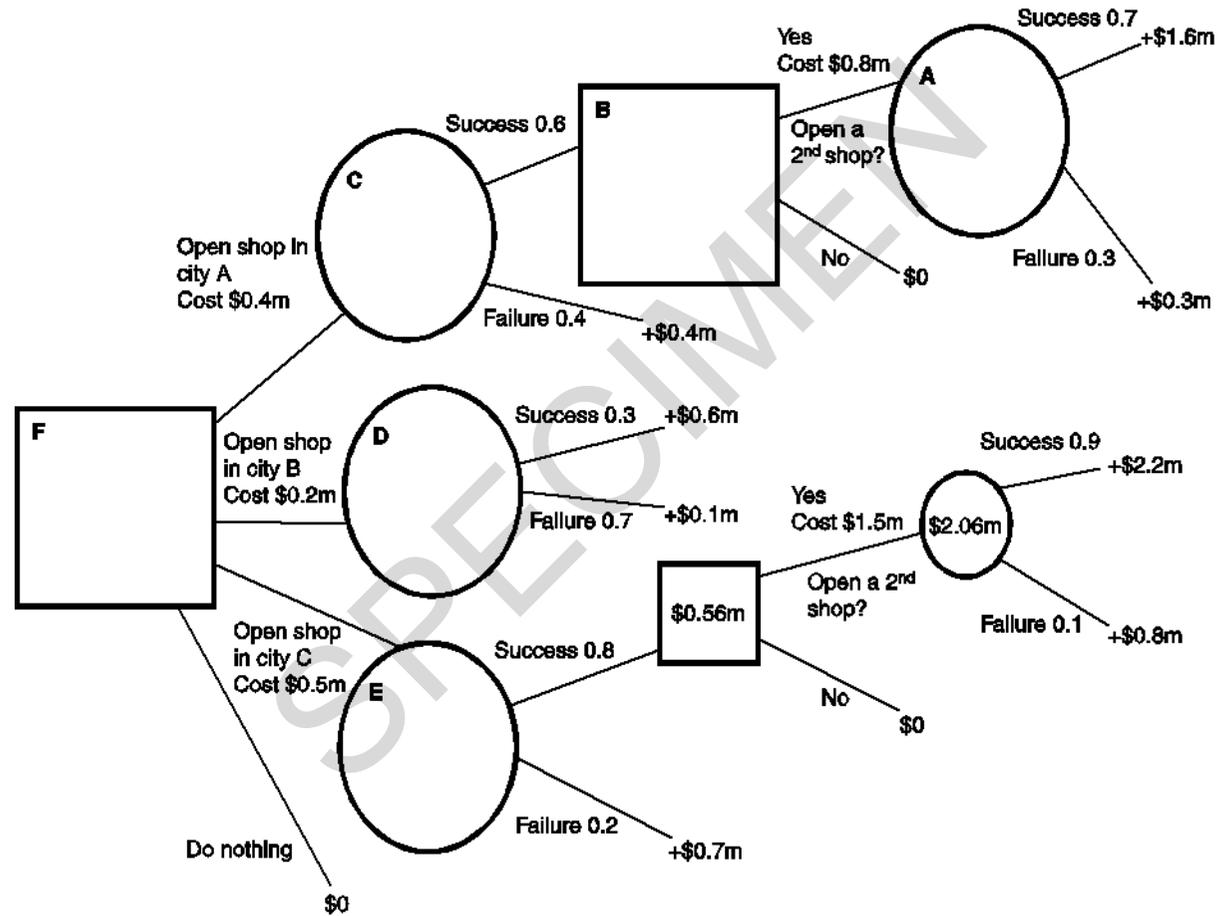
..... [3]

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(c) Complete the decision tree (Fig.2) by entering the appropriate value into each of the nodes and boxes labelled A – F. A box for your working is provided below.

[6]

Fig.2 Decision tree prepared by InvestinIndia, for opening a coffee shop for the first year of operation



Working box

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