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RETAIL BUSINESS UNIT 2

LO3 Be able to recommend solutions
to retail business issues

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AC3.1 Analyse situations

The knowledge and understanding gained in LO1 and LO2 in Unit 2 should allow students to analyse a range of situations in different retail contexts.

When analysing information/data, it is vital to recognise the important points in the information/data to give:

- explanations
- analysis
- solutions or recommendations.

Picture Perfect LTD is an online retailer selling a range of digital photo related products, such as photobooks, calendars, prints, mugs and cards. In order to increase sales, they have recently launched a number of sales promotion activities.

1. Identify the 4 most important points in the above paragraph.
2. Explain why the points you have identified are important for retail businesses.

In order to analyse data, it is important that there is enough understanding of the data. For example, in the data above, students should be able to recognise that Picture Perfect is a private limited company from the use of LTD. In the data below, which has been taken from the LO1 resource, students need an understanding of disposable income to make sense of the data. Question 1 asks students to identify the main points in the data. Question 2 then asks for a challenging explanation, which is linked back to question 1.

The information below was provided by the Office for National statistics on their website - www.ons.gov.uk

Median average household disposable income in the UK was £29 400 in 2019, up 1.4% (£400) compared with 2018.

(Median average – all incomes are placed in value order and the middle income is the median).

This continues a period of slow growth over recent years; median income grew by an average of 0.7% per year between 2017 and 2019, compared with 2.8% between 2013 and 2017.

Median income of people living in retired households increased by 1.1% (£300), while the median income of people living in non-retired households grew by 1.3% (£400).

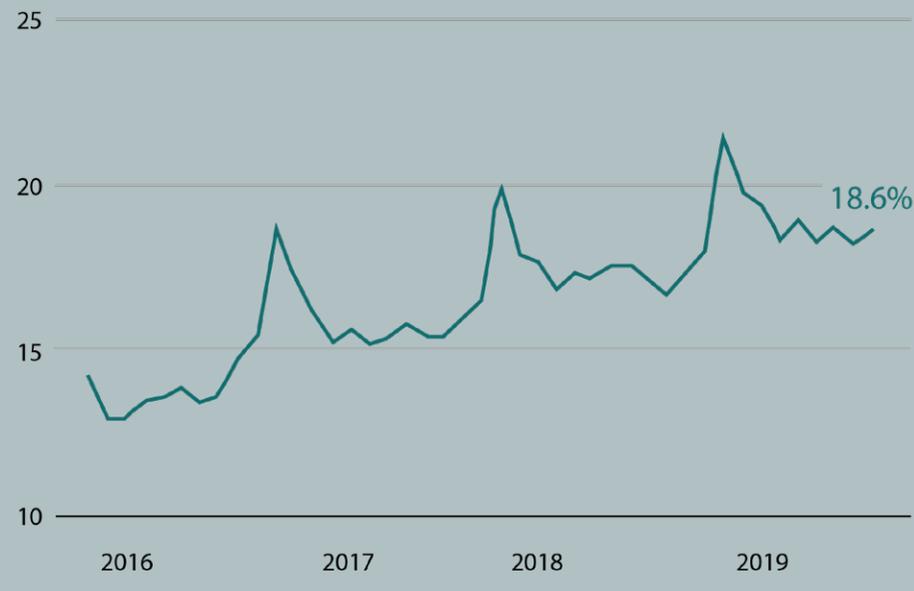
1. Summarise what has happened to disposable income in the UK between 2018 and 2019.
2. Explain why a rise in disposable income is good for an economy.

Information/data can be presented in many ways, such as text and words, numerical data and a combination of text and numbers in tables and graphs. It is important that information presented in these different forms is understood and that the important points are recognised.

Identify the important information given in the graph below:

Rise of online spending

Online sales as a percentage of total retail sales



Nike to stop direct sales through Amazon

Sportswear retailer Nike is to stop selling through Amazon so it can focus on selling directly to customers. Nike said it would continue to sell through other retailers and platforms. It marks the end of a pilot that Nike began with Amazon in 2017.

Amazon has been preparing for the move, recruiting third-party sellers with Nike products so that the merchandise is still available on the site. Analysts said it was a sign that Nike was seeking greater control of its brand.

Maureen Hinton, retail research director at Global Data, said: "It's a case of Nike wanting complete control of its brand". She said customers using Amazon often had the impression they were getting a discounted price.

However, while not many retailers could resist using Amazon, Nike was a "huge global brand and sports brands have a huge amount of power". Amazon declined to comment.

Adapted source: <https://www.bbc.co.uk/news/business-50416325>

1. Identify the main point of this article.
2. Summarise the main points in 3 short bullet points.

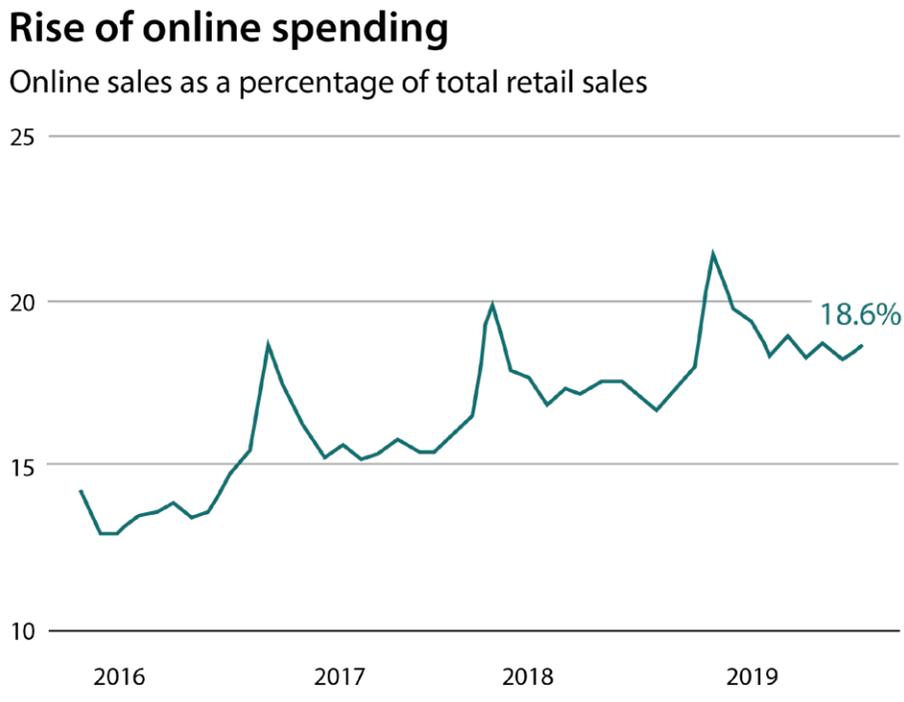
1. Search the internet to find two relevant articles about retail business. The articles must include content that you have studied as part of LO1 and LO2. When you are searching for these articles consider the date they were written and the source.
2. Explain why it is important that information is up to date and comes from a reliable source.

AC3.2 Interpret data

After identifying the important points within the data, the next stage is interpreting the data. Interpreting data can be challenging as an explanation, and often, an evaluation of the data is required. Interpretation must focus on the data and will require students to apply their knowledge to the given data.

In the resources for LO1 and LO2, many activities included questions on interpreting data. These questions often start with command words such as explain, analyse, evaluate, consider and discuss.

In the graph below, an earlier question asked students to identify the information in the graph. This identification will be that online sales as a percentage of total sales has been increasing from 2016 to 2019.



However, interpreting this information is more difficult, as in order to interpret data a certain level of knowledge and understanding is needed in order to explain what this information means. A question such as ***“Discuss the impact of the data shown in the above graph on retail businesses”*** will require a response that identifies what the data shows then explains and evaluates how the identified points will affect retail businesses.

In pairs, produce an answer to “Discuss the impact of the data shown in the above graph on retail businesses”.

In your answer make sure you:

- identify the main points in the data
- provide an explanation of how these points will impact on retail businesses
- provide an evaluation which gives your judgement on the impact of the data on retail businesses.

State whether the responses below are identification of the data, explanation of the data or evaluation of the data:

- More people are now buying products online and fewer people are buying on the high street.
- This increase will cause problems to high street shops and may be one reason why so many have closed.
- Between 2016 and 2019, online spending as a percentage of total sales increased from just under 15% to 18.6%.
- Online sales have increased as products are often cheaper online, and many consumers have busy lives and can shop 24/7 online.
- Retail businesses that only have a physical presence will be likely to be experiencing a drop in sales, and this may cause problems as they will still have costs to cover. However, retail businesses with a strong online presence may be experiencing a period of growth with increased sales and profits.

The following questions focus on, firstly, being able to identify the points in the data, and then secondly, explaining the reasons and the impacts for retail businesses.

The following tomato soups are some of the products available in Tesco. Explain why it sells a range of the same product.



Source: <https://www.tesco.com/groceries>

In recent years people have taken up the hobby of designing and producing their own greetings cards. They buy packs of materials which are used to make birthday and Christmas cards. Some have developed their hobby into businesses, selling through market stalls, pop-up shops and online. One such person is Fran Blake who operates her business as a sole trader and has a market stall in her local town.

1. Outline two benefits Fran gains as a result of operating as a sole trader.
2. Explain two disadvantages to Fran of operating as a sole trader.

Jack Howells is the owner of a small DIY store located on the outskirts of Bristol. His shop sells a small range of DIY products including hand tools, electrical supplies and tools, paint and decoration products, bathroom accessories, plumbing tools and materials, power tools and garden products.

Jack started the business 6 years ago and does not have a website. His store is very cluttered and often customers cannot find what they are looking for. Customers enjoy chatting with Jack and taking advantage of Jack's extensive knowledge of his products and DIY projects.

At times, customers who visit the store are frustrated with the products they want not being in stock. Jack has many loyal repeat customers but finds it difficult to attract new customers, especially younger customers (ages 25-35).

Jack is keen to grow his business but is unsure how to do this.

1. Suggest and explain 3 retail specific objectives that Jack could use to grow his business.

Some questions will require students to include an evaluation in their answer. When an evaluation is required, it is expected that a judgement will be made. A good judgement will link to the original data and the explanation. A good judgement should also be balanced and considers both sides of the discussion. These questions will often use command words such as evaluate, discuss and consider.

Giving a balanced answer that looks at both the positive side and the negative side is important. The questions below are examples of when a balanced evaluation is needed.

Organic Oasis is a franchise company, established in the UK in 2005. The business has over 50 retail stores throughout England, Scotland, Wales and Northern Ireland, providing a wide range of organic food products. Since 2012, the business has used franchising to expand its business; this strategy has helped it to grow its business, and it is currently advertising for new franchisees on its website.

Julian Smith wants to set up his own business selling organic food in Manchester. However, he has just read the information on the Organic Oasis website and is now considering applying to become an Organic Oasis franchisee.

1. Discuss the advantages and disadvantages of Julian becoming an Organic Oasis franchisee and advise him what to do.
2. Discuss the advantages and disadvantages of Organic Oasis expanding through franchising.

Explain the advantages and disadvantages for retailers of locating in a shopping centre.

Compare and contrast the advertising media used by large-scale and small-scale retail businesses. Consider the cost, the target audience and the size of the market in your answer.

Find out the population of the UK and discuss how important social media is to retail businesses.

Evaluate how technology has impacted on the advertising activities of small retail businesses.

When making judgements it is important to make sure that they are based on the data and the explanation. Just saying that a retail business will experience a drop in profit is not a good evaluation; the answer should explain why the business will experience a drop in profit.

Terry Kelly is a market stall holder selling fresh fruit and vegetables. He is considering raising his prices to increase his profit.

Discuss whether you think Terry should increase his prices.

In your answer you may say that by increasing his prices Terry will increase his profit, but on its own this is not a good evaluation as you haven't said why. An increase in prices will not always automatically result in an increase in profit. You should also give a balanced evaluation, so you should say why it is possible that Terry will decrease his profits, with a suitable explanation.

Now answer the question, with a balanced and developed answer.

Numerical data

When the data is presented in numerical or graphical form it may be necessary to carry out mathematical calculations to interpret and explain the data. The numerical data will be in the context of retail businesses and could include:

- the size/value of the retail sector
- market share
- market research data
- footfall
- sales
- profits.

A number of different mathematical techniques are required:

- addition, subtraction, multiplication and division
- averages
- percentages and percentage changes
- reading and interpreting information from graphs and charts.

The results of the calculations can then be interpreted and used to form part of the analysis and evaluation.

To calculate the **average** of a set of numbers, add up the figures provided and divide the total by the number of items you have added up.

The table below shows the number of people buying from an independent pet shop. The owner of the shop, Guy Masters, wants you to calculate the average number of customers he has had per month, for the months shown below. Give your answer to the nearest whole number.

Month	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct
Number of customers	394	418	323	471	385	401	332	279	412	437

To calculate a **percentage**, divide one number (the part) by another (the whole) and multiply the result by 100.

1. James Moore owns a local convenience shop in Hull. In order to attract more customers, James designed and distributed a leaflet to local residents, which included a coupon for 15% off the price of their next shop. James distributed 300 leaflets to addresses in the neighbourhood where his shop is located. Within 3 months, 72 people had used the voucher at James' garage to obtain their discount.

Calculate the percentage of people that used the voucher from the total amount that James distributed.

2. In 2016, Tesco's market share of the grocery market was 28.2%. Given that annual sales in this market was £177 billion for 2016, what was the value of Tesco's sales to the nearest £ billion?

To calculate the **percentage change** in two figures, the following technique is used:

$$\frac{\text{Difference between figures (New - Original)}}{\text{Original figure}} \times 100$$

For example, Olivia runs a pet shop that sells dog and cat food. In 2019, her shop made an annual sales turnover of £92 000, and in 2020 Olivia's annual sales turnover was £95 000. Olivia wants to know by how much her sales changed between the two years. The technique above can be used to calculate this, as follows:

$$\frac{\text{Difference between figures (£95 000 - £92 000)}}{\text{The original figure (£92 000)}} \times 100 = 3.3\% \text{ (1 d.p.)}$$

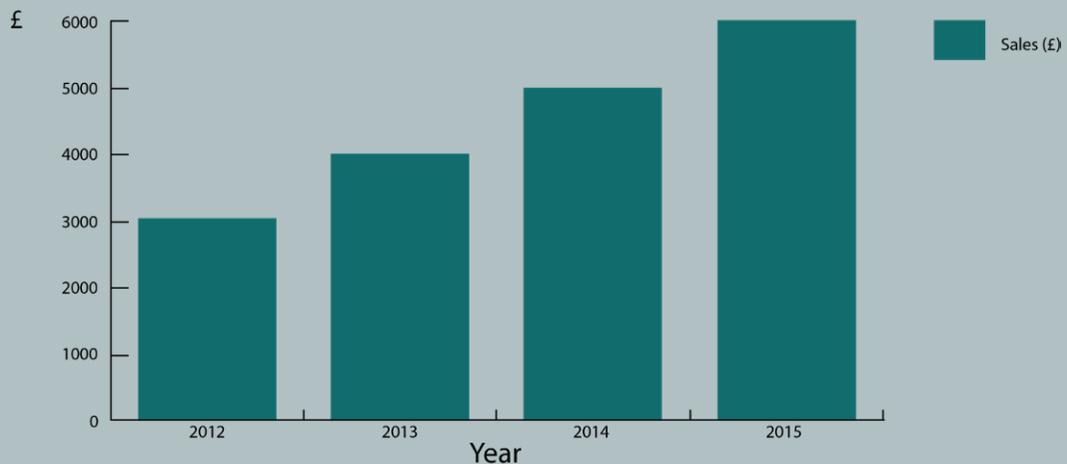
Therefore, Olivia's sales increased by 3.3% between 2019 and 2020.

Parris owns a flower shop in Birmingham. Parris has recorded the number of customers she has served since opening in January, as below:

Month	January	February	March	April	May
Number of customers	375	550	500	350	400

Calculate the percentage fall in the number of customers Parris served between March and April. Give your answer to 1 decimal place.

Fizzah owns an online business selling sweets. She has been trading for four years and has achieved sales in each year as follows:



1. Calculate the percentage change in sales between 2013 and 2015 to 1 decimal place.
2. Calculate the percentage change in sales over the 4-year period.

1. Helen Stephens is a retired solicitor. In addition to her pension, her main income is the interest she receives on her life savings which are deposited in her bank. She has savings of £200 000, and for the last few years she has used her interest on this to pay for her weekly grocery shopping. The bank has just increased its interest rate for savings accounts from 1.5% to 2%.

Explain, with the use of numerical calculations, the impact on Helen of the increase in the bank's interest rate.

2. Sam Williams is a construction worker; he is married with 2 children aged 3 and 5. Jenny Williams, his wife, works part time in a local supermarket. Between them they earn £35 000 a year and have a mortgage with monthly payments of £600. They have no savings.

Explain the impact on the Williams family if the interest rate on their mortgage increased by 1%.

3. Discuss how the two case studies above will affect retailers. In your answer use different types of retailers that Helen Stephens and the Williams family are likely to use.

AC3.3 Review options for solutions to issues

Three main stages of answering questions linked to data have been covered:

- identify the main points in the data
 - interpret (explaining) the data
 - evaluating the data
- } All three require knowledge and understanding of the content in LO1 and LO2

When these stages have been completed, it is then possible to give solutions to retail issues. There will be some questions that require students to give solutions to retail issues.

Recommending solutions to retail issues is an important aspect of this unit. In many different retail situations, there is often a range of options that a retail business can take to achieve its objectives.

The recommendations given must be based on the information and the context provided, be balanced so that the advantages and the disadvantages of the different options are considered and use the information to support the recommendations/solutions. If the given data includes text and numerical data, then both types of data should be used when suggesting solutions or recommendations.

Thistle Ltd, based in Edinburgh, manufactures and sells tartan-themed clothing on its website. Its products are very popular in Europe, the US and Japan. However, in recent months sales have been falling.

Discuss possible marketing initiatives that Thistle Ltd could use to increase its sales.

All advertising media have their own advantages and disadvantages. A retail business must choose the right media for it and the one that will have the biggest impact on customers, whilst also considering what it can actually afford.

Select appropriate advertising media for the following retail businesses by creating a suitable advertising media mix:

- O2 launching a new set of monthly deals for a range of different mobile phones
- Nike selling its sports clothing across the world
- Hideki Tanaka, a sole trader who sells pottery from his workshop.

Explain the likely success of your media mix recommendations.

Having a good understanding of the content in LO1 and LO2 will help students suggest relevant and suitable solutions to a range of retail issues.

Greyfield retail park is on the outskirts of a town. It is situated at the edge of an industrial estate which has offices and workshops. Close by is a leisure centre and within half a mile is a traditional local shopping area.

Below is a map of the Greyfield retail park.



Ceri's Sofa Store was recently set up by Ceri Thomas who had been made redundant by a town centre department store.

1. Outline two of the benefits Ceri might gain from locating her business in Greyfield retail park.
2. Explain one possible disadvantage that Ceri's Sofa Store may face locating at this site.
3. Suggest and explain an alternative site for Ceri's business.

You are the owner of one of the retail businesses listed below. Select one of these businesses and then suggest improvements and design a new store layout that will help increase sales. Produce the design on a sheet of A3 paper (birds eye view). Consider social factors, cost and target market in your design. Write a brief report explaining the reasons for your changes.

- **Book store** – the books are all stored on traditional bookshelves around the shop and in the middle of the shop (like a library); the till is located by the front of the shop. A large shop window is used to store bags and surplus books that can't fit on the shelves.
- **Bakery** – the bakery sells a range of bread, cakes, snacks, sandwiches and cold drinks. The bakery has a small area where customers can queue. Most of the bakery space is taken up behind the counter. All the products are behind the counter, and customers have to point out or ask the shop assistants to get what they want. The counter has one till, prices for the different products are written on blank card in front of the products. There is no more information available.

Jed Thomas is a sole trader selling surfing equipment in his shop in Newquay in Cornwall.

Surfing has increased in popularity in the area, so Jed wants to take the opportunity to buy the shop next to his. To do this, he needs to raise finance. Jed is considering changing the form of ownership of his business from a sole trader to a partnership.

Advise Jed if he should remain a sole trader or form a partnership.

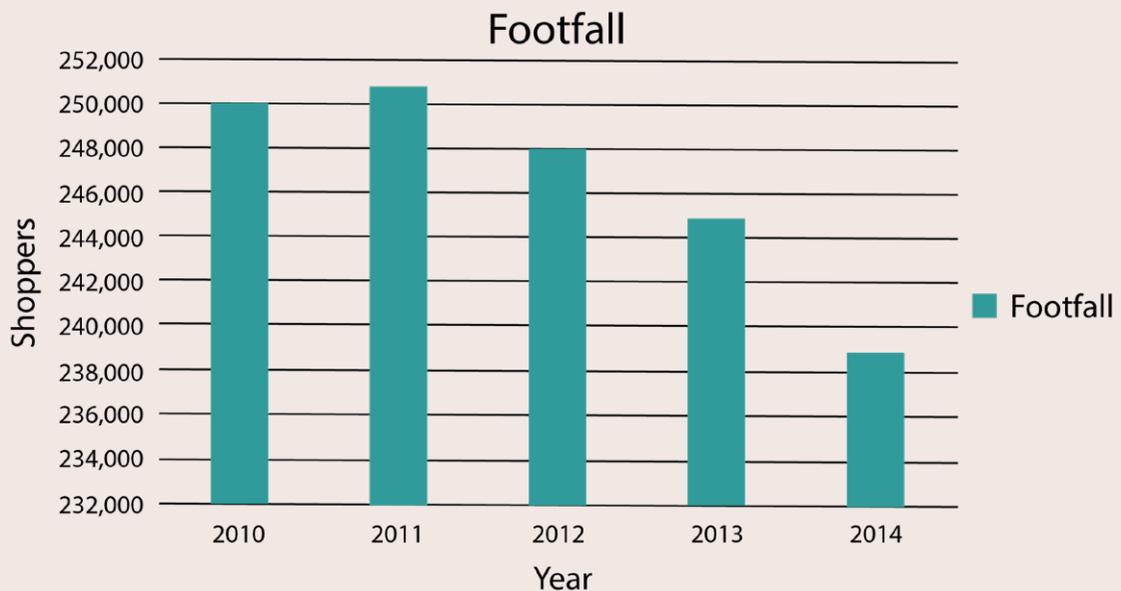
Past Paper Questions

2015

Scenario 3

Mapington is a busy town with a population of around 10,000 people. The town's high street has a mixture of retail businesses including franchises, charities, food outlets and some long-established shops such as grocers, bakers and butchers. During the last few years the footfall for the high street has declined and some shops have closed down. Temporary (e.g. pop-up) shops have sometimes rented the empty shops.

The town has a very active retailers' association which supports the town's retail businesses.



3. (b) (i) Using **Figure 1**, calculate the decrease in footfall between 2010 and 2014. [1]

Mapington Retailers' Association has set the objective of increasing footfall by 15% between 2014 and 2016.

3. (b) (ii) Calculate the footfall that Mapington Retailers' Association is aiming for in 2016. [2]

Mapington Retailers' Association has proposed the following solutions in response to the decrease in footfall.

- Mapington Annual Food and Drink Festival
- Free parking for two hours

3. (c) Explain how each suggested solution might help Mapington Retailers' Association achieve their objective of increasing footfall by 2016. [4]

2016

Scenario 2

Red Devil is a business which manufactures and sells a range of mobile phones and accessories.

The business has produced an exciting new model called RD6. As part of its marketing strategy Red Devil has decided to sell its new mobile phone through a number of in-store concessions across a wide range of different retailers.

Red Devil aims to increase sales and market share in the UK mobile phone market.

Study the following table.

Number of mobile phones sold in the UK in 2015	12.5 million
Number of mobile phones sold by Red Devil in 2015	2.5 million

2. (b) Calculate Red Devil's market share of mobile phones sold in 2015. [2]

Scenario 3

Two fashion designer friends, Izzie James and Ollie Smith, have designed a range of fashionable waterproof clothing called Rainwear Chic. The products include raincoats, trousers, hats, gloves and scarves, all of which are available in a range of colours.

Izzie and Ollie plan to sell the waterproof clothing in their own shop which is located in a busy shopping centre. The shopping centre attracts around 1 million shoppers each week and has nearly 200 shops and stores.

They also intend to sell their clothing through their own website. Rainwear Chic products will be available from Autumn 2016.

Izzie and Ollie need to decide on the form of ownership for Rainwear Chic. The choice is a partnership, or a private limited company.

3. (a) Summarise both forms of ownership and suggest which might be the most suitable for Izzie and Ollie. [6]

2017

Scenario 1

An outdoor market has been held in the busy town of Proudham for more than 400 years. Every Saturday 50 stalls are set up in the old town square which is in the centre of the town and surrounded by shops. The stalls offer a wide variety of products such as locally made crafts, fresh fruit, fresh vegetables and clothes. The stallholders operate as either sole traders or partnerships.

The stallholders are required to pay £20 to hire a stall each Saturday.

Proudham town centre benefits from good access roads, a bus station and two public car parks.

The following information shows that in recent years the market has experienced a decrease in footfall. As a result, the stallholders are going to hold seasonal events in the hope of attracting more customers and increasing footfall in 2018 by 12%.

Year	Footfall
2010	89 500
2017	77 250

1 (c) (i) Calculate the decrease in footfall between 2010 and 2017. [1]

1 (c) (ii) Calculate the footfall for 2018 if it was to increase by 12% from 2017. [2]

In order to increase footfall, the market stallholders have decided to hold four special events throughout the year.

1 (d) (i) Suggest two special events which might increase footfall. [2]

1 (d) (ii) Explain how one of your suggested events might increase footfall. [2]

Scenario 2

Ponsonby PLC is a public limited company. It is a UK based retailer offering a wide range of quality jewellery, watches and gifts. The business is a multi-channel retailer which owns 100 jewellery shops situated on high streets throughout the UK.

The results of a recent customer survey showed that the majority of Ponsonby PLC's customers were female and aged over 40. The results also showed the levels of income, occupations and postcodes of the customers.

Ponsonby PLC intends to expand its business to existing and new customers.

- (c) (i) Describe ways that Ponsonby PLC's customer survey results, as given in Scenario 2, might help in expanding its business. [6]

2018**Scenario 2**

i 2 i Ltd is a high street optician which offers eye tests and sells glasses and contact lenses. i 2 i Ltd is a national retail chain and franchise brand which has 200 stores throughout the UK.

i 2 i Ltd have set several financial objectives which they plan to achieve by introducing new retail channels and improving their shops. The directors of i 2 i Ltd have set the business an objective of increasing revenue to £150 million by 2020.

Year	Revenue
2016	£139.6 million
2018	£142 million
2020	£150 million

2. (d) (i) Calculate the increase in revenue between 2016 and 2020. [1]

Scenario 3

JJ's Foodstores PLC is the largest independent food retailer in Wales and currently operates 80 stores. Most of their stores are located in out-of-town retail parks.

The business has been operating for over 30 years in Wales but now has plans to expand the business into England. All new stores will be hybrid.

JJ's Foodstores PLC predicts its profits will increase from £50 million in 2018 to £60 million in 2019.

3 (e) (i) Calculate the percentage increase in profits between 2018 and 2019. [2]

As a result of the predicted profits, the company plans to increase the wages it pays to its workforce. An example of this is given in the box below.

Age	2018 hourly rate of pay	2019 hourly rate of pay
16-17 year olds	£5	£5.50

3. (e) (ii) Calculate how much more a 16-17-year-old employee of JJ's Foodstores PLC will be paid in 2019 when compared with 2018 if they work 30 hours per week. [2]
3. (e) (iii) Explain one financial impact that the increase in the wages paid might have on JJ's Foodstores PLC. [2]

2019

Scenario 1

Lavish Ltd is a cosmetics business that manufactures and retails handmade cosmetics for women. Their range includes bath and shower products such as bath bombs and shower gels. They also sell face and body products such as face masks and body lotions. Their shops are all located on high streets.

The table below shows the profit made by Lavish Ltd in the last four years.

Year	Profit (£)
2018	11.6 million
2017	12.4 million
2016	8.2 million
2015	7.8 million

1. (d) (i) Calculate the average profit over the four year period. [1]
1. (d) (ii) Suggest a reason for the change in profit from 2017 to 2018. [1]
1. (d) (iii) Calculate the percentage change in profit from 2017 and 2018. Give your answer to two decimal places. [2]
1. (d) (iv) Based on the change in profit from 2017 and 2018, suggest two possible business objectives Lavish Ltd may set for 2019. [2]

Scenario 3

Bristol Airport is one of the UK's fastest growing regional airports. The number of passengers who pass through this transport hub has continued to grow in recent years:

Year	Number of passengers
2016	7 610 780
2015	6 786 790
2014	6 339 805

As well as the duty free store there are a number of well-known retail businesses located in the airport including Accessorize, Superdrug, WH Smith, M&S Simply Food, Claire's and JD Sports. Passengers are required to check into the airport at least 2 hours before their flight.

3. (a) Calculate the increase in passenger numbers between 2015 and 2016. [1]
3. (d) Evaluate the decision by retail businesses such as Superdrug and WH Smith to locate a retail shop in a transport hub in addition to their high street shops. [6]

Acknowledgements

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