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Surname

Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Business Studies

International Advanced Level
Unit 3: Strategic Business Decisions

Wednesday 18 June 2014 – Morning

Time: 2 hours

Paper Reference

WBS03/01**You do not need any other materials.**

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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SECTION A

Answer ALL the questions in this section.

You should spend 60 minutes on this section.

Evidence A

Kraft's takeover of Cadbury

In 2009, US food company *Kraft Food Inc* (*Kraft*) made a takeover bid for *Cadbury*, the UK chocolate maker. *Cadbury* was the final acquisition necessary to allow *Kraft* to be restructured and split into two companies: a grocery business worth \$16bn; and a global snacks business worth \$32bn. *Kraft* needed *Cadbury* to provide scale for the snacks business, especially in emerging markets such as India.



5

The challenge was how to buy *Cadbury* when it was not for sale.

10

(Source adapted from: <http://www.ft.com/cms/s/0/1cb06d30-332f-11e1-a51e-00144feabdc0.html#axzz2emhQhCx9>)

Evidence B

Cadbury warns of culture clash under Kraft

Cadbury warned that its unique corporate culture would be lost if the company were taken over by *Kraft*.

Cadbury has always attempted to be a socially aware business. The group recently started a major Fairtrade initiative for its Dairy Milk brand. At a fair trade conference in London, *Cadbury* said: "Our values-led way of doing business has built a unique corporate brand."

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Kraft is a typical multinational, which has its origins in manufacturing processed cheese in the US. Its growth is the result of decades of profit-driven mergers and demergers. Until 2001 it was part of the tobacco and consumer goods conglomerate *Philip Morris*.

10

(Source adapted from: <http://www.theguardian.com/business/2009/oct/21/Cadbury-Kraft-sales-profits-job-losses>)



Evidence C***Kraft* hit by loss of *Cadbury* executives**

The threat of losing important staff from *Kraft* intensified as five more senior *Cadbury* executives left the business following *Kraft's* £11.7bn takeover of *Cadbury*.

Cadbury staff leaving include, its global brand director, global commercial strategy director, Asia-Pacific head for chocolates, and the commercial director of *Cadbury Africa*.

Cadbury's UK marketing director quit last month.

5

(Source adapted from: <http://www.ft.com/cms/s/0/1dad970a-69c1-11df-8432-00144feab49a.html#axzz2fLqlfG2R>)

Evidence D***Cadbury* acquires a taste for US owner *Kraft* at last**

In 2011, after taking over *Cadbury*, *Kraft's* UK chocolate business generated 66% of its UK turnover, which grew by 2.2%. This was faster than the slow-growing UK chocolate market.

Kraft increased its share of the UK chocolate market from 37.1% to 37.5%. Overall, its UK business increased by 4%, helped by strong sales of cheese and biscuits.

5

Kraft has made 600 *Cadbury* manufacturing staff redundant, but has recruited 100 new research and development staff and 70 new sales staff.

The net loss of jobs doesn't look good, but it is hard to argue with *Kraft's* claim it has "proved a good guardian of the *Cadbury* brand".

(Source adapted from: <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/9120100/Cadbury-acquires-a-taste-for-US-owner-Kraft-at-last.html>)



1 (a) What is meant by the term 'brand'? (Evidence B, line 7)

(2)

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(b) What is meant by the term 'mergers'? (Evidence B, line 9)

(2)

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(Total for Question 1 = 4 marks)



2 Explain how *Kraft's* management team could have used a SWOT analysis of *Cadbury* before deciding to take it over.

Ruled lines for writing the answer to Question 2.

(Total for Question 2 = 6 marks)



4 Assess the extent to which the takeover of *Cadbury* has contributed to *Kraft's* growth in the UK. (Evidence A & D)

Area with horizontal dotted lines for writing the answer.



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(Total for Question 4 = 10 marks)



5 Assess the impact on *Kraft* of the loss of senior *Cadbury* executives. (Evidence C)

A series of horizontal dotted lines for writing.



(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS



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Section B starts on the next page



SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence E

Kraft divides

In 2012 *Kraft* divided into two industry-leading public companies: a high-growth global snacks business; *Mondelēz International* (*Mondelēz*) and a profitable North American grocery business; *Kraft Foods Group*.

(Source adapted from: <http://ir.Mondelēzinternational.com/releasedetail.cfm?ReleaseID=734959>)

Evidence F

Unleashing a Global Snacking Powerhouse

As *Mondelēz*, we are one of the world's largest snacks companies, with global net revenues of \$35bn in 2012. We are a new company in name and strategy, yet we carry forward the values of our legacy and the heritage of our iconic brands.

The World's Favourite Brands

Our portfolio features nine brands, each worth a billion dollars: Cadbury, Cadbury Dairy Milk and Milka chocolate, Jacobs coffee, LU, Nabisco and Oreo biscuits, Tang powdered beverages and Trident gum.

5

Unique Competitive Advantages

We have everything in place to deliver sustainable, profitable growth:

- Fast-Growing Categories
- Worldwide Brand Recognition
- Favourite Snacks Brands
- Leading Innovation Platforms
- Strong Distribution Channels
- World-Class Talent and Capabilities

(Source adapted from: http://www.mondelezinternational.com/sitecollectiondocuments/pdf/mondelez_intl_fact_sheet.pdf)



Evidence G

Mondelēz – Strategy

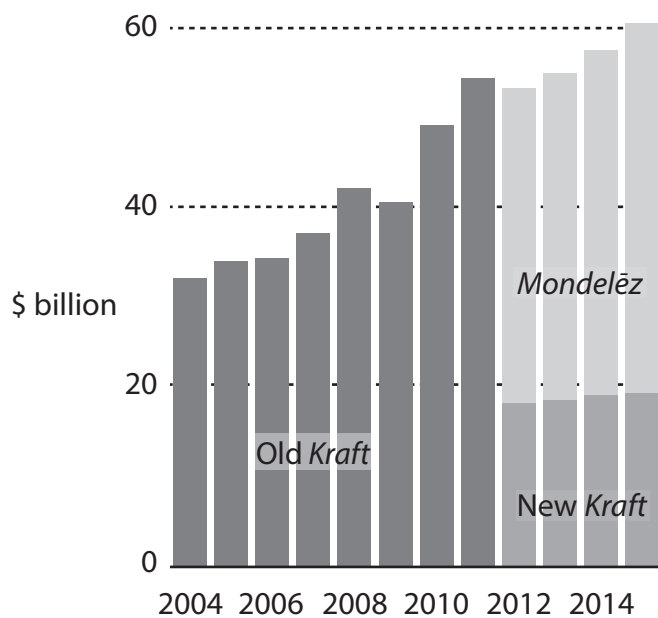
Our core strengths – market leadership across our products and a significant presence in every region, used to achieve two primary goals: strong financial performance and a great place to work. We plan to achieve these goals by executing five strategies:

- Unleash the Power of Our People.
- Transform Snacking.
- Revolutionise Selling.
- Drive Efficiency to Fuel Growth.
- Protect the Well-being of Our Planet.

(Source adapted from: <http://ir.Mondelēzinternational.com/secfiling.cfm?filingID=1193125-13-73227&CIK=1103982>)

Evidence H

Revenue before and after *Kraft* divided



Note: Revenue figures after 2012 are forecasts

(Source adapted from: <http://online.barrons.com/article/SB10001424127887323687604578467073717621516.html>)



6 Evaluate *Kraft's* strategic decision to divide its business into two separate companies.

A series of horizontal dotted lines for writing the answer.



Handwriting practice area with 20 horizontal dotted lines.



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(Total for Question 6 = 20 marks)



7 Assess the accuracy of the claim by *Mondelēz* that it has 'unique competitive advantages'. (Evidence F)

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Handwriting practice area with 20 horizontal dotted lines.



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(Total for Question 7 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS



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