



Rewarding Learning

ADVANCED SUBSIDIARY (AS)  
General Certificate of Education  
January 2014

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## GCE Applied Business

Assessment Unit AS 3

*assessing*

External Influences on  
the Business Enterprise

[A3B31]



WEDNESDAY 8 JANUARY, AFTERNOON

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### TIME

1 hour 30 minutes.

### INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.  
Answer **all six** questions.

### INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

Quality of written communication will be assessed in questions **5** and **6**.

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

### ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time.



## Niche Drinks to expand

Plans to build a new £10 million whiskey distillery in Derry/Londonderry have been welcomed in the city. Niche Drinks, the company behind St Brendan's Cream Liquor, plan to build the new distillery at an Invest NI owned site on the outskirts of the city. The opening of the new distillery will revive an old tradition. At the end of the 19th century and early 20th century, Derry/Londonderry was a world leader in whiskey production. At present Niche Drinks and Bushmills are the only manufacturers (whiskey) in the drinks industry in Northern Ireland. This may be considered to be an oligopoly. Bushmills remains a well established brand dating as far back as the 17th century and recent sales figures suggest that it remains a strong source of export revenue for Northern Ireland. Cooley and Jamesons are the only distilleries in the Republic of Ireland so competition is strong.

Niche Drinks have been manufacturing cream liqueurs in Derry/Londonderry for almost 30 years and exporting the product. Niche Drinks have a long history of developing award winning Own Label brand ranges for the world's top retailers. They have a fantastic Technical Department familiar with all the major retailers' online development and quality control tools. Niche Drinks are keenly aware that when retailers put their own names on a product, its quality, traceability and taste have to be first class. Niche Drinks are conscious that their retail partners' reputation is taken seriously.

Niche Drinks currently manufacture Luxco's St Brendan's Irish Cream which is exported to the United States, Scandinavia, Russia and mainland Europe. Niche Drinks are keen to maintain and develop their overseas markets and do not want to rely solely on the domestic or European Markets. The company also manufactures other ranges of Irish cream liqueur products and ready-made cocktail drinks. Its clients include Marks & Spencer, Sainsbury's, Tesco, Aldi and Asda in the UK and Ireland.

Managing Director Ciaran Mulgrew indicated that keeping the site up to modern production standards was becoming difficult. He said "Our current site has been in use as either a dairy or drinks manufacturing plant for over 50 years and, while we continue to operate to the highest standards, it gets harder to maintain the production facilities as each year goes by. Consequently, we have decided to seek planning approval to change the use of our existing site to supermarket use as well as to relocate Niche Drinks to a new factory in Derry/Londonderry."

It is thought that this new development would create new employment while also providing security for more than sixty workers currently employed by Niche Drinks.

The Managing Director continued, "I am not sure that smaller independent companies like ours can contribute enormously to the development of the drinks market, but what we can do is to give consumers choice by providing additional Irish Whiskeys for them to try."

Government policies recognise the unique difficulties faced by companies operating within the Northern Ireland Economy. In an attempt to address these difficulties the Central Government have introduced both national and regional policies to develop the private sector and to provide drivers for economic growth. Some of the policies include increasing the capacity to export as well as to reduce Corporation Tax and to introduce investment grants, which businesses such as Niche Drinks may utilise.

*Adapted from: © "£10m whiskey distillery planned for Derry" by Brendan McDaid, published by the Belfast Telegraph, 7 June 2012.  
<http://www.thedrinksbusiness.com/2012/06/10m-whiskey-distillery-planned-for-derry>. [www.hm-treasury.gov.uk/d/rebalancing\\_the\\_northern\\_ireland\\_economy\\_consultation.pdf](http://www.hm-treasury.gov.uk/d/rebalancing_the_northern_ireland_economy_consultation.pdf)*

Answer **all six** questions

- 1 Explain how globalisation affects a company such as Niche Drinks. [4]
- 2 Identify **two** conditions of demand, and explain their importance to Niche Drinks in Northern Ireland. [8]
- 3 Explain **four** features of an oligopoly with reference to the case study. [12]
- 4 Analyse **two** ways in which **each** of the following government policies might directly affect Niche Drinks' business operation:
  - (i) Fiscal Policy
  - (ii) Regional Policy[16]
- 5 Evaluate how the proposed building of a new £10m custom-built factory by Niche Drinks is likely to affect **four** stakeholders. [20]
- 6 Evaluate **one** way in which Niche Drinks might use **each** of the following methods to improve its competitiveness:
  - (i) Improving quality
  - (ii) Adding value
  - (iii) Product differentiation
  - (iv) Organic growth.[20]

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**THIS IS THE END OF THE QUESTION PAPER**

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