



Oxford Cambridge and RSA

**Thursday 9 June 2022 – 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**.
- Do **not** send this Resource Booklet for marking. Keep it in the centre or recycle it.

**INFORMATION**

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

## ARGOS

Argos is one of the UK's best-known retailers. It was established in 1972, but since 2016 has been wholly owned by J Sainsbury plc (Sainsbury's), the second largest supermarket chain in the UK.

### Extract A

#### The traditional way of shopping at Argos

The traditional way of shopping at Argos used to begin by browsing for products listed in a free catalogue. Once you had chosen a product to buy you would write the product number, found in the catalogue, onto an order form. You would then take this order form to the store's checkout and pay for the item. You would be given a receipt which indicated where you should wait while your item was brought to you.

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As a result of the acquisition by Sainsbury's, many of Argos' town centre stores have been closed and relocated inside nearby Sainsbury's stores, usually in out-of-town retail parks. In March 2020, there were still 570 traditional Argos stores, with another 306 inside Sainsbury's stores.

10

The Argos website is the third most visited e-commerce website in the UK (with over 1 billion visits per year). Argos has 29 million in-store customers and stocks 89 000 different products. According to the Argos section of the Sainsbury's website,

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"We have something for all the family, including top brands...We offer customers what they want, how they want it, through our same-day Fast Track Delivery and free in-store Fast Track Collection services."

Source: [www.about.sainsburys.co.uk/great-products-and-services/argos](http://www.about.sainsburys.co.uk/great-products-and-services/argos) (accessed 21/08/20)

### Extract B

#### Sainsbury's gets all-clear to buy Argos

The UK competition regulator, the Competition and Markets Authority (CMA), has approved Sainsbury's £1.4bn acquisition of Argos, clearing the way for the supermarket chain to become Britain's biggest seller of general goods.

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Sainsbury's is buying Argos to broaden its product range, reduce its reliance on the highly competitive grocery market and acquire Argos' online delivery business. Sainsbury's will put Argos stores into its superstores.

The CMA said it had to judge, "...whether the [takeover would] result in a substantial lessening of competition within any market or markets in the UK". It found that this was not the case.

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Source: Adapted from "Sainsbury's gets all-clear to buy Argos", Sean Farrell, The Guardian, 22<sup>nd</sup> July 2016

**Table 1****Financial data from the consolidated accounts of J Sainsbury plc (at 7 March 2020)**

	<u>£m</u>
Property, plant and equipment	8911
Inventories	1732
Cash	994
Borrowings	48
Net current assets	(4461)
Retained earnings	4068
Net cash flow from operating activities	1372

**Extract C****Sainsbury's and Argos reach an important target**

Sainsbury's has reached an important stage in its plan to bring Sainsbury's and Argos closer together, with its 300<sup>th</sup> Argos store opening inside a Sainsbury's store.

This store is located inside Sainsbury's in Salford and will enable customers to purchase over 20 000 technology, home and toy products whilst picking up their groceries. Sainsbury's has been working to integrate the two brands to offer customers choice and value. The opening of this store shows the speed and scale at which this integration is being achieved.

While 60% of Argos' total sales start online, 85% of customers choose to collect their goods in-store. Argos is a technology-led retailer and new stores will have a 'Pay@Browse' area with computer tablets that enable customers to purchase what they want, as well as browse for products.

As part of its strategy for the future, the business is continuing to invest in technology within all its stores, so that customers can shop easily and efficiently. It also aims to offer well-paid jobs which provide training and development opportunities and is committed to investing £1bn over 20 years to become 'Net Zero' for greenhouse gases by 2040.

Source: Adapted from [www.about.sainsburys.co.uk/news/latest-news/2020/26-02-20-300th-argos-sis](http://www.about.sainsburys.co.uk/news/latest-news/2020/26-02-20-300th-argos-sis) (accessed 23/08/20)

## Extract D

### Job losses at Argos

Jobs are set to be lost as Argos closes its giant distribution centre at Acton Gate next to the M6 motorway at Stafford. A company statement said, "As we continue to bring our Sainsbury's and Argos teams closer together, we are reviewing our operations at Acton Gate. We understand this will be an unsettling time for those involved and we are supporting them in any way we can." Affected staff have been informed of the situation and will enter into consultation with the company in September 2020.

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There have also been job losses at management level. As part of plans to bring Sainsbury's and Argos closer together, the senior leadership team has been reduced by more than 20%. Teams responsible for finance, technology and human resources are being restructured in an attempt to reduce costs by £500m by 2024.

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Source: Adapted from "Redundancies likely as giant Argos centre next to M6 closes", John Corser, Express & Star, 1<sup>st</sup> August 2020 & "Sainsbury's slashes hundreds of management roles in Argos integration", Edward Devlin, The Grocer, 22<sup>nd</sup> January 2020)

## Extract E

### The end of the Argos catalogue (and the way we used to shop)

The Argos catalogue was first launched in 1973, containing 4500 products across 250 pages. At its peak it was Europe's most widely-printed publication – a copy could be found in three-quarters of every home in the UK. By 2020, the catalogue had grown to 1748 pages containing 60 000 products.

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However, after 47 years, 93 editions and more than one billion copies, the glossy "book of dreams" will no longer be printed.

Argos says that online shopping offers "greater convenience" than browsing through its printed catalogue and no further editions of the catalogue will be produced. Instead, its products will only be listed and displayed online. All Argos stores will have digital screens installed so that customers can browse the website before placing orders.

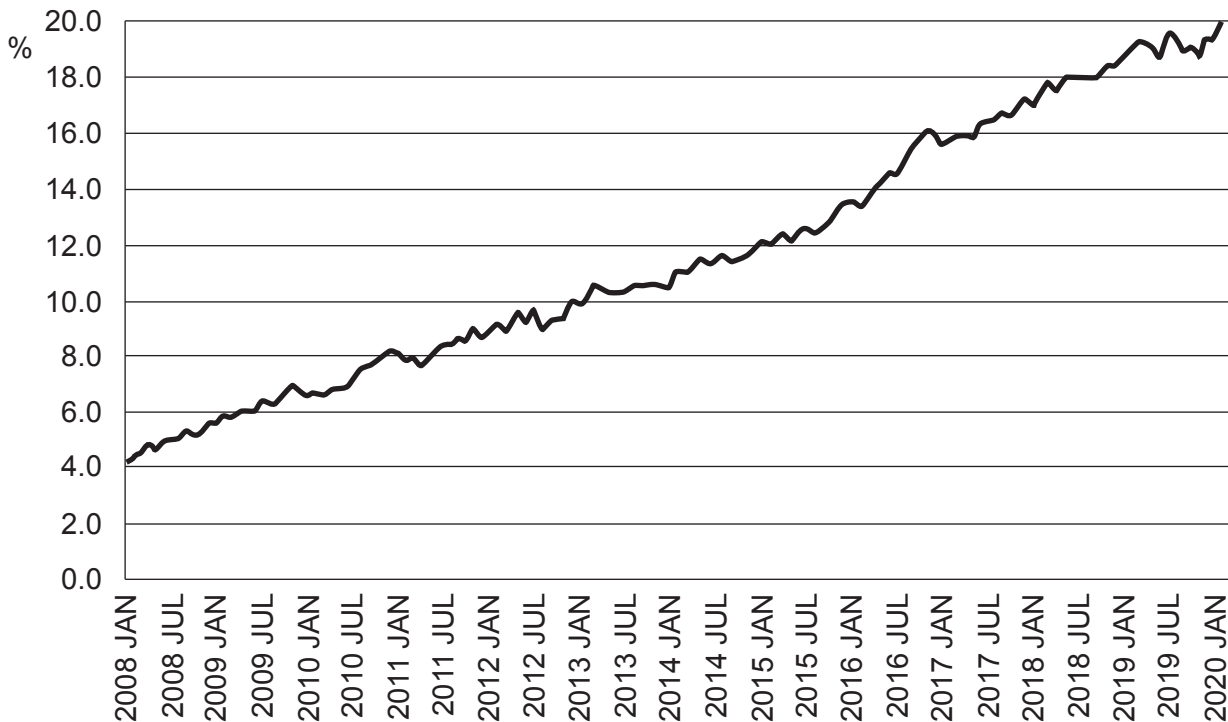
60

Mark Given, the company's chief marketing officer, said the move was in response to a shift in customers' shopping habits. "Over the decades the Argos catalogue has charted the nation's changing tastes and trends in everything from must-have toys to the latest gadgets," he said. "Just as our customers' tastes have changed over the years, so have their shopping habits. We're seeing an increasing shift towards digital shopping, using our mobile app, website and in-store browsers."

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70% of Argos' online sales now come from mobile devices.

Source: Adapted from "Argos kills off its catalogue", Chris Johnson, The Telegraph, 30<sup>th</sup> July 2020 & [www.bbc.co.uk/news/business-53592591](http://www.bbc.co.uk/news/business-53592591) (accessed 23/08/20)

**Fig. 1****UK online retail sales as a proportion of all UK retail sales (January 2008 – January 2020)**

Source: ONS

**Extract F****Argos improves its delivery service to remote areas of the UK**

Argos has improved its delivery service to the Scottish islands this summer. The six-month trial aims to ensure that those living in some of the remotest areas of the UK can get the products they want, delivered directly to their home.

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Argos said it would introduce home deliveries to 41 000 more homes and another 56 islands, including Shetland, Orkney, the Inner Hebrides and the Western Isles. Customers on the islands will be charged £6.95 for an all-day delivery slot, which is the same price that customers across the rest of the UK are charged.

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The trial is part of Argos' 'investment in digital' strategy so it can deliver what shoppers want, how they want it. Argos said the move comes after it agreed to extend its successful outsourcing partnership with Arrow XL, a home delivery and collection provider.

Source: Adapted from "Argos improves islands delivery service", Ellis Butcher, The Oban Times, 18<sup>th</sup> August 2020)

**NB:** All data was correct at the time of writing

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