

A



A-level

BUSINESS

Paper 2 Business 2

7132/2

Source Material for use in answering Question 1 and Question 3.

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Read the information provided on pages 2 to 7, and then answer the questions in the question paper.

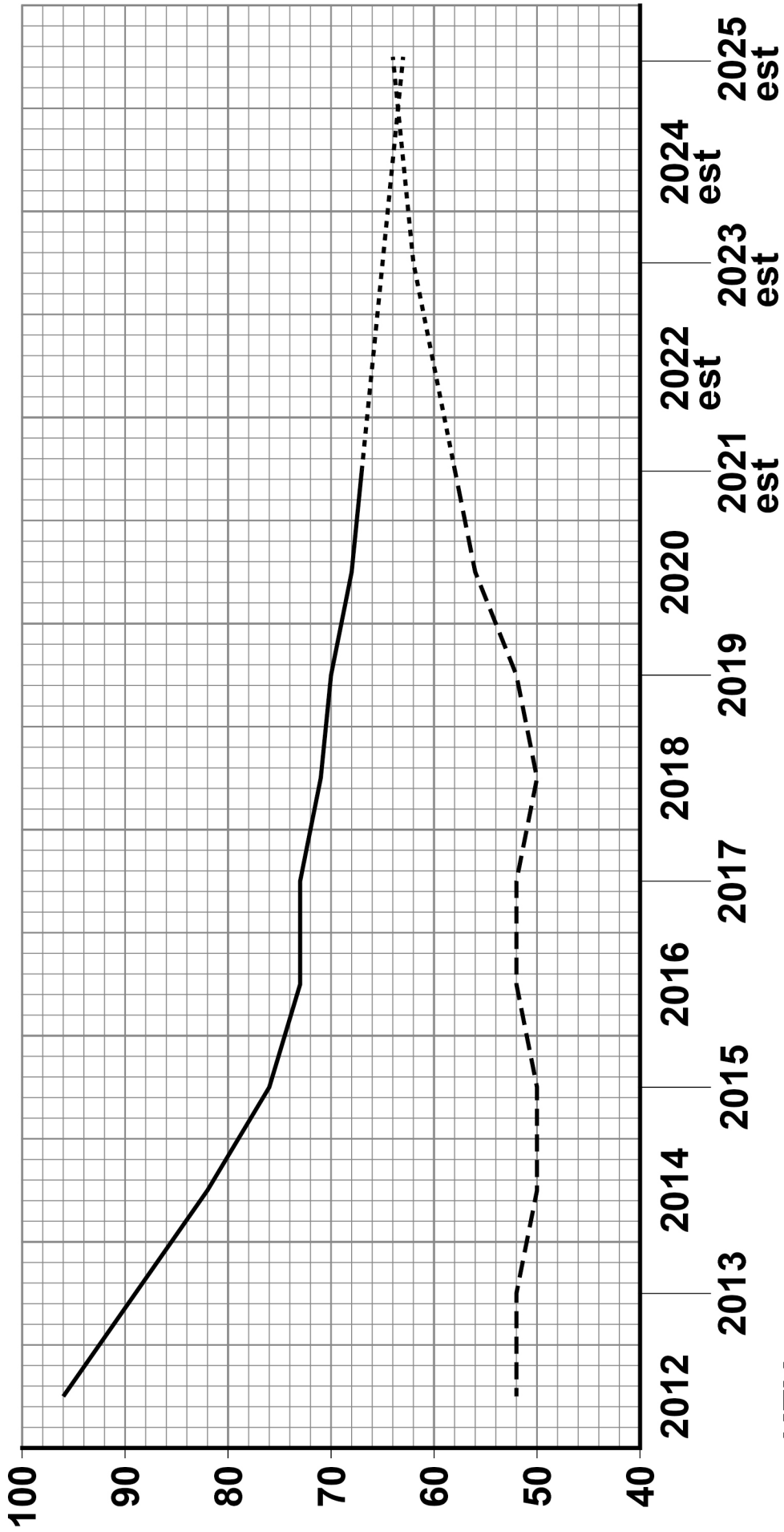
THE UK TEA MARKET

Tea drinking in the UK is declining as younger customers choose alternatives such as coffee. Extrapolation of the annual sales suggests that coffee will outsell tea in the UK by 2025.

Within the overall tea market traditional black tea still dominates sales. However, a 'health tea' niche made up of fruit, herbal and green teas is growing. This niche has benefitted from its association with wellbeing.

APPENDIX A

Annual sales volume of black tea and coffee (million kg), UK (actual sales 2012–2020; estimated sales 2021–2025)



KEY
 — Tea
 - - - - Coffee

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APPENDIX B UK TEA BRANDS 2019

Rank	Brand	Annual Sales (£m)	% change	Type of tea in range
1	Twinings	108	+3.8	Black and health tea
2	PG Tips	99	-7.2	Mainly black, with small new health tea range
3	Taylors (including Yorkshire Tea)	98	+5.0	Black and health tea
4	Tetley	90	+0.4	Mainly black but some health tea
5	Pukka	23	+15.4	Organic and ethical black and health teas
	Other tea brands	144		

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APPENDIX C**PRICE ELASTICITY OF DEMAND DATA**

Type of tea	Price elasticity of demand
Black tea	-1.2
Health teas	-0.5

APPENDIX D**Selected data from recent market research survey**

How often do you drink black tea? (% of respondents)			
	Overall	Age 18–24	Age over 65
Several times a day	42	25	56
Once a day	15	16	16
2–3 times per week	10	14	5
Occasionally	12	17	7
Never	21	28	16

Do you drink health tea? (% of respondents)	
	Yes
Female	32
Male	19

How important is it that the tea you buy is ethically sourced, eg fair trade? (% of respondents)	
Important	62
Not very important	26
Not at all important	12

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0	3
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Read the information provided on pages 8 and 9, and then answer the questions in the question paper.

DISRUPTED SUPPLY

DT is a UK-based business manufacturing circuit boards which it sells to other businesses. All of DT's output is exported to Europe. The components that DT uses are sourced in the UK.

The supplier of a vital component closed suddenly in early 2020 disrupting DT's supply chain. DT's usual pattern of inventory control for this component is shown in FIGURE 1.

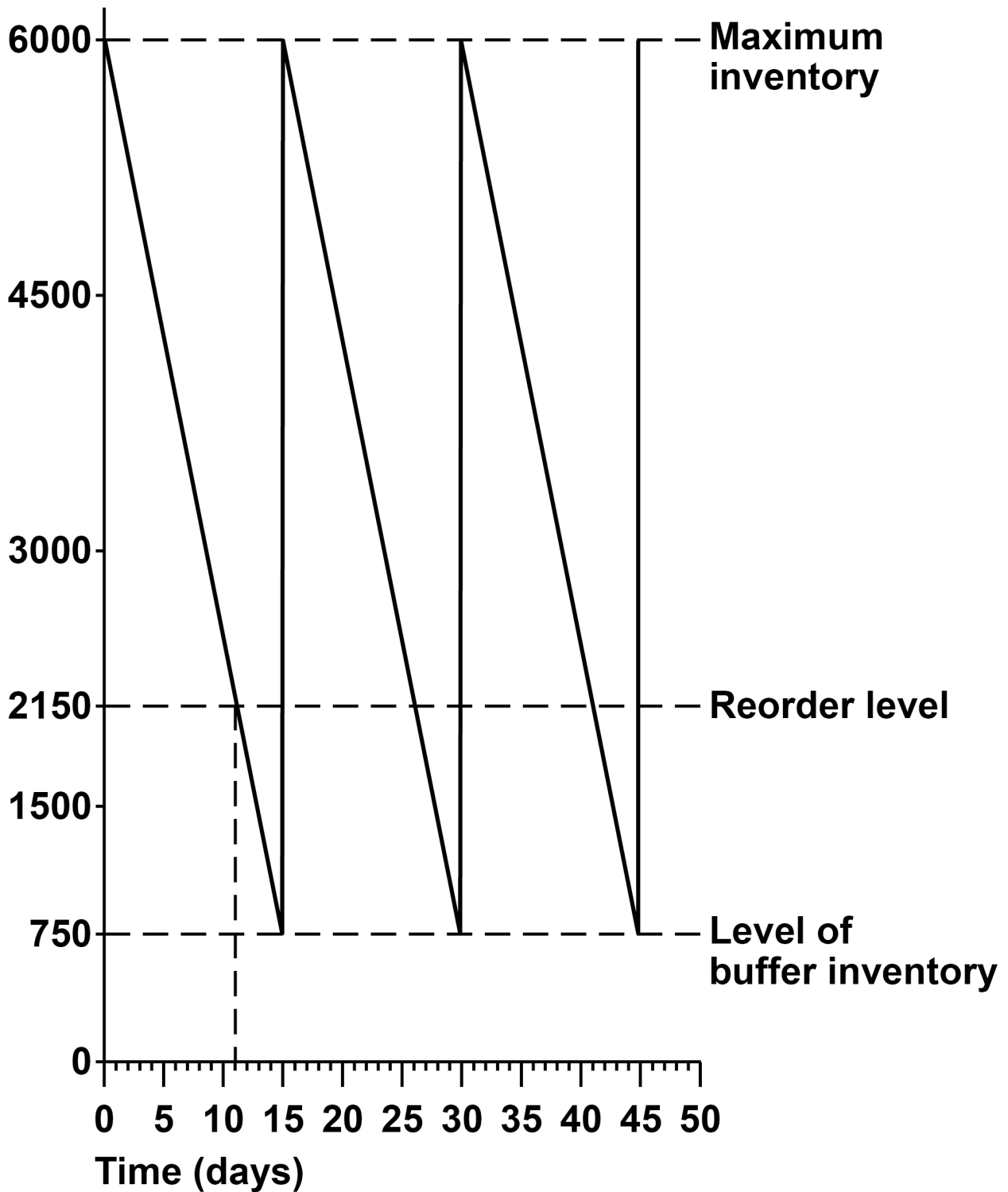
DT was forced to buy this component from a new and more expensive supplier.

DT stated: 'We had no contingency plan. It was impossible for us to find alternative supplies quickly enough to fulfil all our existing orders. The new supplies had higher levels of defects.'

FIGURE 1

Inventory control chart showing DT's usual pattern before disruption

Inventory level (units)



END OF SOURCE MATERIAL

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