



**GCSE**

**C510U20-1A**



**MONDAY, 13 JUNE 2022 – AFTERNOON**

**BUSINESS – Component 2**  
**Business Considerations**

**Resource Material**

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1. Iceland, the frozen food supermarket, was established in 1970 by Malcolm Walker when he opened his first store in Shropshire selling frozen food. By 1980 the company had 37 stores across the UK. The stores were popular with lower income families who were attracted by the low-price offers on frozen food.

By 1984 Iceland had nearly 500 stores across the UK selling a range of its own brand products and in the same year Iceland became a public limited company. By 1995 Iceland Plc had grown to have 752 stores across the UK with sales and profits continuing to rise. In 1999, before the introduction of online shopping, Iceland Plc launched the UK's first home shopping service where customers could have products delivered to their homes. In 2000 Iceland Plc bought the wholesaler Bookers Plc in a £374 million takeover.

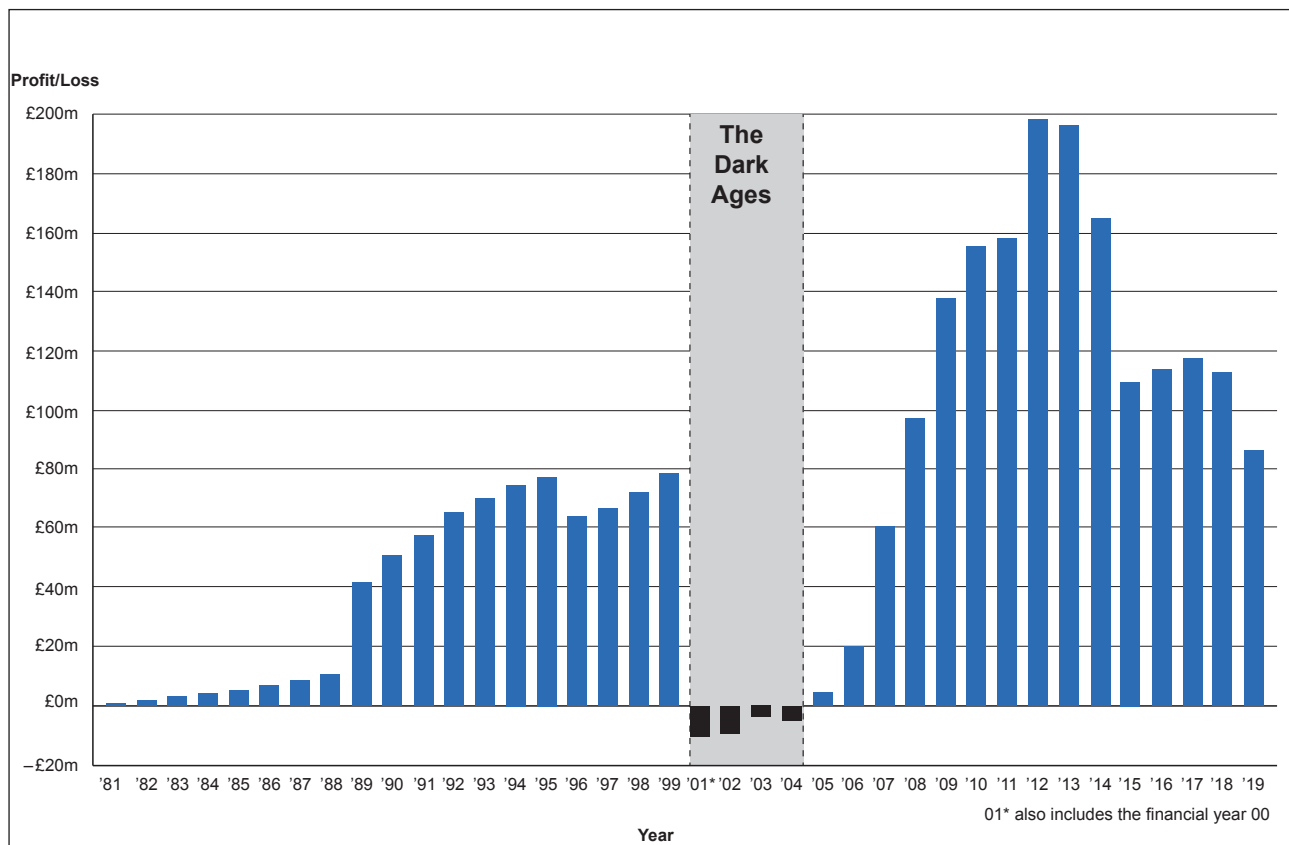
In 2001 Iceland Plc announced that for the first time in its history profits were falling. Malcolm Walker and some of the original directors were forced to leave the company. By 2004 Iceland Plc was close to bankruptcy and potential closure.

In 2005 Malcolm Walker returned to the company and his job was to save Iceland Plc from collapse. The business was made a private limited company and was back under the control of Malcolm Walker and the original directors. Under his control sales and profits started to rise once more.

In 2012, Iceland Ltd bought one of its suppliers, Loxton Foods, a food production business. In 2013 Iceland Ltd launched its online shopping service, which has since won many awards for cut price delivery and excellent service and convenience.

In 2015 Iceland Ltd's profits fell as the discount food chains Aldi and Lidl continued to grow in popularity. **Figure 1** shows Iceland's profits and losses from 1981 to 2019.

**Figure 1**



Recently Iceland Ltd widened its product portfolio by introducing:

- A luxury food range including lobster and Wagyu steaks (high-quality steak)
- A halal range serving Muslim communities
- A Slimming World range of dietary foods
- An exclusive range of products produced by Greggs bakery.

In 2018 Iceland Ltd opened a new store in an affluent area of London, where people earn high salaries. This store focused on more expensive luxury products. The store proved very popular and Iceland Ltd has plans to introduce more stores of this type in other affluent areas across the UK. In the same year, 37% of Iceland Ltd's sales came from customers who earn high salaries.

Iceland has a commitment to acting in an environmentally responsible way. Over the years Iceland has:

- removed all palm oil as an ingredient in all its own label food (demand for palm oil is responsible for the destruction of rainforests)
- committed the business to eliminate plastic packaging from its own label products by 2023
- become one of the first supermarkets to support a plastic bottle deposit scheme.

2. The UK gym industry is growing. According to research the following factors are important reasons why the number of people using a gym in the UK is growing:
- Increasing number of budget (low-cost) gyms
  - Increasing number of gyms that offer no or short-term contracts – customers can cancel their membership when they like
  - An increased awareness of the importance of a healthy lifestyle
  - An increased use of wearable technology so people can track their fitness e.g. Fitbit, Apple Watch.

FitNow Plc is a UK-based gym business which was established in 2001. Unlike most other gyms FitNow Plc is open 24 hours a day and 7 days a week. Members can visit any of the 120 gyms based in large towns and cities throughout the UK.

According to market research in 2017, the average price for gym membership in the UK was £18.78 per month. The average price for FitNow Plc gym membership in 2020 was £42.00.

**Figure 1** shows the range of prices and number of members in all of FitNow Plc's 120 gyms.

**Figure 1**

Type of membership in 2020	Price per month	Number of members
Children's membership (under 12)	£20	9 000
Student membership (30% discount at peak times)	£35	4 000
Off-peak membership (restricted time)	£35	32 000
Peak membership (members can use the gym at any time)	£50	40 000
Gold membership (priority booking of classes, discount on food in the restaurant and spa treatments)	£70	2 000

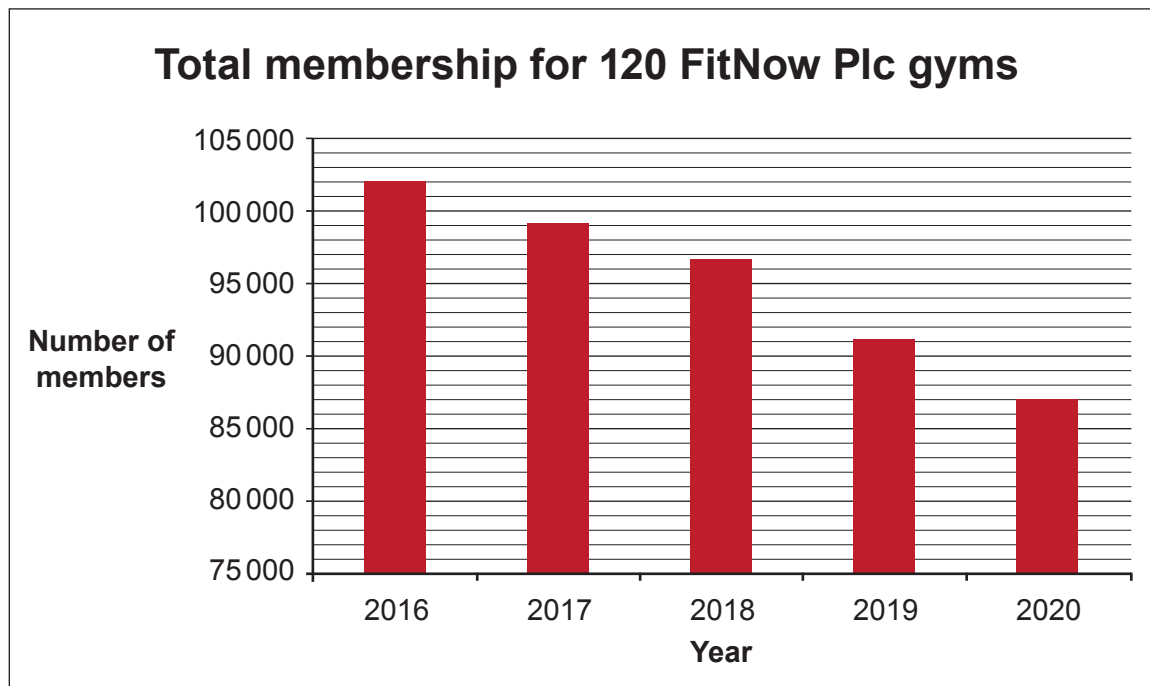
All types of membership consist of a minimum 12-month contract.

FitNow Plc believes it offers better facilities than the average gym. All gyms have the most up-to-date equipment, swimming pool, tennis courts, kids' club, personal trainers, spa and a restaurant. All FitNow Plc's gym equipment is technologically advanced and communicates with wearable technology so members can track their fitness. The tennis courts, personal trainers, spa treatments and meals in the restaurant are not included in any of the monthly membership fees but can be purchased at an extra cost.

Members are able to download and use FitNow Plc's smartphone app to book and cancel classes and communicate by the use of a social blog.

The number of FitNow Plc members is falling and the business is finding it difficult to attract new members. **Figure 2** below shows the total membership of all 120 FitNow Plc gyms between 2016 and 2020.

**Figure 2**



When members decide to cancel their gym membership, FitNow Plc asks them to complete a questionnaire to tell them why they are leaving. In 2020, 35% of the members who left completed this questionnaire. A summary of the main findings of the questionnaire are shown below:

- 57% said they found the price of the gym membership was too high
- 35% said they were satisfied with the gym equipment
- 24% said they had to wait too long to use some equipment e.g. treadmill
- 69% said they were happy with the location of the gyms
- 58% said they would have liked more flexibility in their contract
- 32% said personal trainers lack knowledge of technological equipment
- 43% said the quality of food in the restaurant was satisfactory or poor
- 29% said counter staff were not helpful.

Throughout the year FitNow Plc offers a range of sales promotions to attract new members such as a three-month trial and a week of free membership. FitNow Plc uses national newspapers to advertise.

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