

Summer 2026

Paper
reference

9BS0/03

Business

Advanced

PAPER 3: Investigating business in a competitive environment

Source Booklet

Do not return this Booklet with the question paper.

Important Note

This source booklet is **not** the official source booklet you will use in the June exam. It has been produced **solely for use with Save My Exams' pre-release preparation pack.**

Context

This year the context is the confectionery and biscuits industry, and the small, national, and international businesses operating in this market

Research

To prepare for this year's context, you should research:

- Current trends in the consumption of confectionery and biscuits
- Business growth in the UK and world confectionery market
- Different businesses in the UK confectionery retail market: independents and multinationals
- The external business environment and its impact on small businesses operating in the confectionery market
- Global marketing by confectionery businesses
- Local, national and international economic influences on confectionery businesses

You cannot take any of your research or investigation data carried out as part of the pre-release into the examination.

SECTION A

Read the following extracts (A to D) before answering Question 1

Extract A

Overview of the UK confectionery and biscuits market

The UK confectionery and biscuits market is one of the largest food manufacturing sectors in the country. According to the **Food and Drink Federation (FDF)**, the sector includes chocolate, sugar confectionery, cakes, sweet biscuits and savoury biscuits. Products are sold mainly through supermarkets, convenience stores and discount retailers, with supermarkets accounting for the majority of sales.

FDF industry data shows that, in recent years, market growth has been stronger in value terms than in volume terms. This suggests that rising prices, rather than increased consumer demand, have been the main driver of revenue growth. Manufacturers have raised prices to reflect higher costs across the supply chain.

The market is highly competitive. Large branded manufacturers compete directly with supermarket own-label products, which are often priced lower. This has increased pressure on profit margins, particularly for mid-market brands that lack the scale of major multinationals.

UK confectionery and biscuits market value (£bn)

2021: 14.8

2022: 15.6

2023: 16.4

Source: adapted from Food and Drink Federation industry statistics

Extract B

Penguin and Club bars can no longer be called chocolate

Penguin and Club bars can no longer be called chocolate McVitie's Penguin and Club bars are no longer officially classed as chocolate after their recipes were changed due to rising cocoa prices. Their owner, Pladis, reduced the amount of cocoa used in the coating and replaced it with cheaper alternatives, meaning the products are now described as having a "chocolate flavour" coating rather than real chocolate.

Cocoa prices have risen sharply because climate change has caused droughts and poor harvests in major cocoa-producing countries in West Africa, including Ghana and Ivory Coast, where the UK sources most of its cocoa. This has led to supply shortages and much higher costs for manufacturers.

Pladis said the changes were necessary to manage rising costs and that consumer testing showed the new coating still tastes the same. However, experts say many confectionery firms are reducing cocoa content. UK rules require at least 20 per cent cocoa solids for milk chocolate, and the revised products now fall below this level.

Source: <https://www.bbc.co.uk/news/articles/c86737yg3jlo>

Extract C

Sweet, sticky and sold out everywhere: why is there such a craze for Dubai chocolate?

Sweet, sticky and sold out everywhere: why is there such a craze for Dubai chocolate? Dubai chocolate has become a viral food trend, with pistachio-filled bars selling out rapidly across the UK. The confection was created in 2021 by Sarah Hamouda, a British-Egyptian entrepreneur living in Dubai, after pregnancy cravings inspired a bar filled with pistachio cream, tahini and crunchy knafeh pastry. She later refined the product with a pastry chef and launched it through Fix Dessert Chocolatier, which still sells only limited quantities in the UAE via Deliveroo.

Demand surged after a TikTok video in late 2023 gained more than 120 million views, generating over 30,000 orders and pushing the product to the top of Deliveroo's global rankings. Although the original bar is unavailable in the UK, major retailers and brands such as Lidl, Lindt and Waitrose have released their own versions, often imposing purchase limits as stock sells out within hours.

Market analysts link the craze to social media influence, the rising popularity of pistachio and Middle Eastern flavours, and the product's indulgent appeal. Limited supply and production challenges have further increased hype, encouraging copycat products and premium pricing.

Source:

<https://www.theguardian.com/food/2025/apr/08/sweet-sticky-and-sold-out-everywhere-why-is-there-such-a-craze-for-dubai-chocolate>

Extract D

Competition, regulation and strategic responses

The confectionery and biscuits market is highly competitive, with supermarket own-label products continuing to gain market share. According to **Mintel**, own-label confectionery and biscuits are often priced significantly below branded alternatives, increasing pressure on manufacturers to differentiate their products.

Regulation has also played an important role in shaping business strategy. UK government restrictions on the advertising and promotion of products high in fat, sugar and salt (HFSS) have limited where and how some confectionery products can be marketed. Mintel reports that this has encouraged firms to invest in reformulation, smaller portion sizes and the development of new lower-sugar product ranges.

Manufacturers must balance the objectives of different stakeholders. While shareholders may prioritise profitability and growth, governments and health organisations focus on reducing sugar consumption. Consumers increasingly expect firms to respond to these pressures while still offering value for money.

Source: adapted from Mintel UK confectionery and biscuits market reports

SECTION B

Read the following extracts (E to H) before answering Question 2

Extract E

Business profile: Hill Biscuits

Hill Biscuits is a UK-based biscuit manufacturer headquartered in Rotherham, South Yorkshire. The business has been operating for over 160 years and employs around 350 people. It produces a wide range of sweet biscuits, including cream biscuits, chocolate-coated biscuits and traditional favourites, supplying major UK supermarkets, wholesalers and foodservice customers.

Hill Biscuits operates mainly in the mid-priced segment of the market. Its products compete directly with supermarket own-label biscuits and with branded products from larger manufacturers. While the business benefits from long-established customer relationships, it has less bargaining power than multinational competitors.

The company has stated that maintaining efficiency and controlling costs are key priorities, particularly given rising ingredient, energy and labour costs. Hill Biscuits has also highlighted the importance of selective investment to remain competitive in a challenging market.

A senior manager at Hill Biscuits commented that, "we have to be very careful about where we invest, as margins are tight and retailers are highly price sensitive."

Source: adapted from Hill Biscuits company information and business press coverage

Extract F

Operations, productivity and workforce data

Hill Biscuits uses batch production methods across its UK manufacturing site. Some production processes remain labour intensive, particularly in packing and quality checking. Recent increases in wages and energy costs have added pressure to operating margins.

Managers have identified productivity as an area of concern. Output per employee has remained broadly stable in recent years, while labour turnover has increased slightly. This has raised recruitment and training costs and increased reliance on overtime during busy periods.

Selected operational data (2024)

Annual output: 28 million units

Number of production employees: 220

Average labour cost per employee (£): 28,000

Labour turnover rate: 13%

Source: adapted from Hill Biscuits operational information

Extract G

External pressures facing Hill Biscuits

Hill Biscuits faces strong competition from supermarket own-label biscuits, which are often priced aggressively. Large retailers have significant bargaining power and frequently expect promotional pricing or cost reductions from suppliers.

The business is also affected by external influences such as rising ingredient costs, changes in food labelling regulations and increasing pressure to demonstrate ethical and sustainable sourcing. As a mid-sized manufacturer, Hill Biscuits has limited ability to pass higher costs on to retailers without risking loss of contracts.

Despite these pressures, the company sees opportunities in developing premium-style biscuits and expanding sales through wholesalers and foodservice channels.

Source: adapted from industry analysis and business news

Extract H

Proposed investment decision

Hill Biscuits is considering investing in a new semi-automated packaging line at its Rotherham factory. The aim of the investment is to improve productivity, reduce long-term labour costs and increase output during peak demand periods.

The proposed investment would cost £3.5 million. Managers estimate that the project would generate cost savings and additional cash inflows over a five-year period.

Forecast cash flows (£000)

Year	Net cash flows
0	(3,500)
1	900
2	1,000
3	1,100
4	1,050
5	850

Discount factors (8%)

Year 1: 0.93

Year 2: 0.86

Year 3: 0.79

Year 4: 0.74

Year 5: 0.68

Source: adapted from management investment appraisal data