Pearson Edexcel Level 3 GCE

Live Mock 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' Live Mock Examination**.

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

UK chocolate and sugar confectionery market data (2020-2024)

Year	Market value (£m)	Volume (m kg)	Average price per kg (£)
2020	5,240	620	8.45
2021	5,380	615	8.75
2022	5,850	605	9.67
2023	6,420	595	10.79
2024	6,780	590	11.49

The UK chocolate and sugar confectionery market grew in value from £5.24bn (2020) to £6.78bn (2024), while volume sales fell from 620 million kg to 590 million kg.

Value growth reflects rising prices rather than increased demand. Average prices rose by 36% since 2020, with sharp increases in 2022–23 driven by commodity inflation and supply chain disruption.

Volume decline was most pronounced in sugar confectionery due to health concerns. Chocolate proved more resilient, with premium and dark chocolate outperforming milk chocolate.

Source: adapted from Kantar Worldpanel UK Confectionery Report 2024

Extract B

Mondelez International will close its Cadbury factory in Rathmore, Ireland, resulting in 400 job losses. The 50-year-old site produces Cadbury Dairy Milk bars and seasonal products for UK and Irish markets.

Mondelez cited changing consumer preferences, overcapacity in its European network and efficiency requirements. Production will be consolidated into larger facilities in Birmingham and Poland, where the company has invested in automation.

A Mondelez spokesperson stated the closure was necessary to remain competitive. The decision was criticised by unions and politicians. Industry experts suggest this reflects wider rationalisation across food manufacturing, with firms such as Nestlé and Mars also closing European sites to achieve economies of scale as volumes decline in mature markets.

Source: adapted from BBC News, The Irish Times, Food Manufacture (January 2025)

Extract C

The rise of functional and better-for-you confectionery

Consumer preferences are shifting towards confectionery with functional benefits or health credentials. Research shows 42% of UK consumers seek reduced-sugar products, while 38% want confectionery fortified with vitamins or protein.

Major brands have launched lower-sugar variants using alternative sweeteners or smaller portions. Start-ups offer protein-enriched chocolate, sugar-free sweets and vegan chocolate using oat or coconut alternatives.

These products often command price premiums of 30–50%, appealing to health-conscious consumers. However, taste remains the primary purchase driver, and premium pricing can limit demand during economic uncertainty.

Mintel predicts functional and better-for-you products will reach 15–18% of the UK market by 2028, up from 8% in 2024.

Source: adapted from Mintel UK Confectionery Market Report 2024

Extract D

UK sugar tax extended to confectionery sector

The UK government plans to extend sugar taxation to confectionery from April 2027, targeting childhood obesity. The levy will apply to chocolate, sugar confectionery and sweet biscuits containing over 5g of sugar per 100g.

Two bands will apply:

- 5–10g sugar per 100g: 18p levy
- Over 10g sugar per 100g: 24p levy

The government estimates the tax could raise £500m annually for children’s health programmes. Public health organisations have welcomed the move.

The confectionery industry has strongly criticised the proposals. The Food and Drink Federation warns the levy may disproportionately affect smaller manufacturers, while larger firms are expected to pass costs on to consumers, potentially reducing demand and employment.

Source: adapted from UK Government press release, The Guardian, Food Manufacture (December 2024)

SECTION B

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

Extract E

Company profile: Sweetcraft Ltd

Sweetcraft Ltd is a family-owned confectionery business based in Burnley, Lancashire, specialising in traditional boiled sweets, toffee and fudge. Founded in 1992, it employs 72 people and generates annual revenue of approximately £9.8m.

Operating from a single site, Sweetcraft sells through independent retailers, farm shops, garden centres, tourist attractions and its website. The business is positioned in the premium segment, with prices 40–60% above mass-market alternatives.

Its core customers are older consumers who value traditional British confectionery. Sweetcraft has also developed a growing gift range, particularly for Christmas and Easter.

Co-founders Sarah and Michael Chen remain hands-on in operations. While Sweetcraft has invested in new equipment and online sales, it faces rising ingredient costs, strong competition from larger manufacturers and difficulty attracting younger consumers.

Extract F

Financial performance 2022-2024

	2022 (£000)	2023 (£000)	2024 (£000)
Revenue	**8,900**	**9,300**	**9,800**
Cost of sales	**5,340**	**5,952**	**6,370**
Gross profit	**3,560**	**3,348**	**3,430**
Operating profit	**890**	**558**	**490**

Additional data:

- Non-current assets (2024): £3.2m
- Current assets (2024): £1.8m
- Current liabilities (2024): £1.4m
- Long-term loans (2024): £1.5m

Extract G

Finance, operations and workforce challenges

Revenue increased from £8.9m to £9.8m between 2022 and 2024, but operating profit fell by 45% to £490k. Rising input costs, including sugar, butter and packaging, increased cost of sales from 60% to 65% of revenue. Competitive pressures limited Sweetcraft's ability to raise prices.

The factory operates at 68% capacity, producing around 780 tonnes annually using traditional batch production. Output is highly seasonal, peaking before Christmas and Easter. Outside peak periods, underutilisation creates fixed-cost inefficiencies.

Labour turnover reached 24% in 2024, above the industry average. Employees often leave for higher-paid roles in nearby distribution centres. The workforce is ageing, and specialist skills are increasingly difficult to replace.

Extract H

Strategic options

Sweetcraft's management is considering two growth strategies:

Option 1: Expand contract manufacturing for supermarket own-label products

- Benefits include large-volume orders, improved capacity utilisation, reduced marketing costs and steadier cash flow
- Drawbacks include low margins, risk of customer dependency, potential brand damage and required capital investment of £1.2–1.5m

Option 2: Invest in e-commerce expansion and export markets

- Benefits include higher margins, greater brand control, reduced reliance on UK retailers and long-term international growth potential
- Drawbacks include investment costs of £400–600k, complex regulations, high shipping costs, currency risk and delayed returns

END OF SOURCE BOOKLET